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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 5921/S. 2852

A BILL MAKING APPROPRIATIONS FOR THE DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1985, AND FOR OTHER PURPOSES

PART 2 (Pages 1-890)

DEPARTMENT OF TRANSPORTATION
INTERSTATE COMMERCE COMMISSION
NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)
NATIONAL TRANSPORTATION SAFETY BOARD

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

MONDAY, MARCH 26, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

NATIONAL TRANSPORTATION SAFETY BOARD

STATEMENT OF JIM BURNETT, CHAIRMAN

ACCOMPANIED BY:

PETER KISSINGER, MANAGING DIRECTOR
BARRY SWEEDLER, DIRECTOR, BUREAU OF SAFETY PROGRAMS
THOMAS STYLES, DIRECTOR, BUREAU OF ACCIDENT INVESTIGATION
JAMES DANAHER, DIRECTOR, BUREAU OF TECHNOLOGY
HERBERT BANKS, DIRECTOR, BUREAU OF FIELD OPERATIONS

INTRODUCTION OF WITNESSES

Senator ANDREWS. The subcommittee will come to order. This afternoon we are privileged to hear the National Transportation Safety Board, headed by Jim Burnett, the Chairman.

It is good to have you here, Mr. Chairman.

Mr. BURNETT. Good afternoon.

Senator ANDREWS. We look forward to hearing your testimony. Let me assure you and your colleagues that all of your statements will be included in the record in total. You may summarize it any way you wish to.

STATEMENT OF JIM BURNETT

Mr. BURNETT. We do have a brief summary, Mr. Chairman.

Mr. Chairman, I am pleased to appear once again on behalf of the National Transportation Safety Board to present our budget request for fiscal year 1985. First I would like to introduce the members of the Safety Board staff with me today.

To my right is Mr. Peter Kissinger, the Board's Managing Director; Mr. Barry Sweedler, Director of the Bureau of Safety Programs; and

Mr. Herb Banks, Director of our Bureau of Field Operations. To my left is Mr. Jim Danaher, Director of the Bureau of Technology; and Mr. Tom Styles, who is Director of the Bureau of Accident Investigation, Mr. Danaher being to the far left.

Before reviewing the Board's activities and budgetary needs, I want to thank you and the other members of the subcommittee for your continued support of the Safety Board and its programs. Due to your favorable action on our fiscal year 1984 appropriation request, we were able to restore funding to vital accident investigation programs which were reduced or eliminated as a result of the severe fiscal year 1982 midyear budget cuts.

Even more important, this funding enabled us to begin to rebuild our technical and support staff after undergoing a reduction in force of 27 percent of our personnel.

AIR CANADA/CINCINNATI

Each year brings its own series of tragic accidents, and 1983 was no exception. The worst aviation accident involved an Air Canada DC–9 which was swept by a cabin fire, claiming the lives of 23 persons who were trapped after the flight made an emergency landing at the Greater Cincinnati Airport.

As you would expect, accidents such as these can command a large share of the Board's resources. But because it is our role to recommend accident prevention measures, the Board also devotes effort and expense to extract safety lessons from the investigation of mishaps which do not lead to the loss of life or serious aircraft damage.

EASTERN AIRLINES L–1011

Clearly the single most dramatic example in this category during 1983 was the near-ditching off the coast of Miami of an Eastern Airlines L–1011 with 172 persons onboard. Approximately 50 miles from its destination in Nassau, Bahamas, low oil pressure forced the crew to shut down the No. 2 engine and a decision was made to return to Miami.

But 14 minutes later power was lost on the No. 3 engine and 5 minutes after that on the No. 1 engine. The powerless jet descended on a glide to within 4,000 feet of the ocean before the crew managed to restart the engine it had shut down and to make a landing at Miami International. The flight was less than 3 minutes from ditching.

Fortunately, this occurrence did not result in casualties, but it is obvious from the viewpoint of safety that there is as much to be learned from the might-have-been's as there is from accidents, and lessons are no less valuable because they were not costly in terms of loss of life, injuries, or property damage. We believe that thorough investigations of these types of occurrences are solid investments in accident prevention.

MIANUS RIVER BRIDGE

Perhaps the most dramatic highway accident of 1983 occurred in the early morning hours of June 24, 1983, when a section of the Interstate 95 bridge over Connecticut's Mianus River collapsed. Three persons died when their vehicles fell 70 feet into the river. The design and maintenance of the bridge are key issues in the Board's investigation, and a final report is expected later this year.

DRINKING AGE

In addition to its routine investigative activities, the Board has rigorously pursued highway goals discussed in last year's hearings. Working with numerous special interest groups, the Board has continued its efforts to persuade State legislatures to increase the drinking age to 21 in an effort to decrease the senseless deaths and injuries caused by drunk drivers. While these activities have met with some success, there remains considerable opposition in many States.

CHILD SAFETY SEATS

The Board also has endeavored to encourage States to pass laws requiring the use of child safety restraints for crash protection. This effort has been particularly successful and only six States currently are without some form of child crash protection requirements.

I testified before the House Appropriations Committee a few weeks ago that there were seven States. Now there are only six, so we are rapidly moving toward zero.

The Board will continue its efforts in both these areas and others.

RAILROAD INVESTIGATIONS

The Board investigated 13 major rail accidents in 1983 ranging from the derailment of an Amtrak passenger train near Woodlawn, Tex., that killed four persons, to a collision in a Denver railyard that punctured a tankcar carrying nitric acid, forcing the evacuation of 3,000 residents of the Denver area. Had that not been on Easter Sunday, there would have been many, many thousands more.

MARINE INVESTIGATIONS

The Board investigated 13 major marine accidents in 1983, including the February 12 capsizing and sinking of the *Marine Electric* off the coast of Virginia near Chincoteague, which claimed 31 lives; and the October 31st sinking of the drill ship *Glomar Java Sea* in the South China Sea. At this time there are no known survivors from the 81 persons aboard the drill ship, despite the search efforts of Chinese Navy and supply boats and the U.S. Air Force in adverse weather conditions.

PIPELINE INVESTIGATIONS

The Board conducted 19 pipeline investigations, one involving a natural gas explosion in October 1983 which destroyed a supermarket in South Charleston, W. Va. The Board conducted a 3-day public hearing,

chaired by our Vice Chairman Patricia Goldman, to obtain indepth factual information on the circumstances leading to this nonfatal accident. Issues developed include the adequacy of maps and emergency response and employee training.

HUMAN PERFORMANCE

Despite all the time and effort the Safety Board expends on accident prevention through investigations, safety studies, and recommendation followup, there is one category of accident causation the Board had addressed in only a limited fashion, and that is human performance.

In the aviation mode, for instance, the flight crew has been identified as a causal factor in about 65 to 70 percent of all air carrier accidents. For commuter airlines, the comparable figure is around 75 percent, and for general aviation the pilot is involved in an astounding rate of over 80 percent of all accidents.

These statistics are totally unacceptable and they represent a dangerous void in our knowledge of what it is that causes accidents, the why's behind the what happened. In an effort to increase its capability to delve into the human factors involved in accidents in all transportation modes, the Board has reorganized its former human factors division into two new divisions—survival factors and human performance—and added 12 new positions.

The survival factors division will examine safety procedures used by the operator, crew members, and passengers to prevent the accident, as well as procedures to ensure post-accident survival. Issues include crashworthiness, medical factors, and evacuation procedures.

The human performance division will investigate factors affecting the behavior of the operator and other persons involved in the circumstances leading to an accident, including their relationship to the task, the machine, and the environment.

We know that accident prevention requires more than a determination of cause. We need to know why. Where once a statement of human factors involvement in an accident ended our investigation activities, it is now often just the beginning.

Mr. Chairman, for fiscal year 1985 the Board is requesting $20.845 million, which is $207,000 less than our current budget.

I will be pleased to respond to your questions, Mr. Chairman, with the able assistance of the staff at the table with me.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Mr. Chairman. It is good to have you here, and we appreciate having the benefit of your testimony. We will insert your complete statement in the record.

[The statement follows:]

STATEMENT OF JIM BURNETT

Mr. Chairman, I am pleased to appear once again on behalf of the National Transportation Safety Board to present our budget request for fiscal year 1985.

First, I would like to introduce the members of the Safety Board staff with me today. To my right is Mr. Peter Kissinger, the Board's Managing Director, and Mr. Barry Sweedler, Director, Bureau of Safety Programs. To my left is Mr. Thomas Styles, Director, Bureau of Accident Investigation, Mr. James Danaher, Director, Bureau of Technology, and Mr. Herbert Banks, Director, Bureau of Field Operations.

Before reviewing the Board's activities and budgetary needs, I want to thank you for your support and interest in the Safety Board and its programs. Due to your favorable action on our FY 1984 appropriations request, we were able to restore funding to vital accident investigation programs which were reduced or eliminated as a result of the severe FY 1982 mid-year budget cuts.

Even more important, this funding enabled us to begin to rebuild our technical and support staff after undergoing a reduction-in-force of 27 percent of our personnel.

Staff Support

In that regard, I would like to pay tribute to the staff which somehow managed to sustain its standard of high quality work with a significantly decreased level of employees. This was accomplished with a great deal of personal sacrifice and dedication, and the Safety Board Members fully appreciate this impressive demonstration of professionalism.

Aviation Investigation Activities

Given the nature of accident investigation, there is only one constant factor -- the unpredictability of the workload. But the awesome size of the American transportation system ensures that each year will bring its own series of tragedies. Nineteen eighty three was no exception.

Air Canada/Cincinnati

For example, the year's worst aviation accident began unfolding on June 2, 1983 with these dramatic words: "We have a fire in the back washroom ... and we're filling up with smoke."

That radioed message came from the captain of Air Canada flight 797 whose DC-9 was swept by a cabin fire that claimed the lives of 23 persons who were trapped after the flight made an emergency landing at the Greater Cincinnati Airport.

The Safety Board's investigation of this accident is still in progress, and some recommendations already have been directed to the Federal Aviation Administration (FAA) concerning fire cabin safety. We are encouraged that the FAA now appears responsive to changes involving the cabin environment, having announced its intention to issue rulemaking actions. The Board will continue to press for improvements in cabin safety.

Air Illinois/Pinckneyville

Four months later -- on October 11th -- a second major aviation accident occurred when an Air Illinois flight plunged into a farm field near Pinckneyville, Illinois killing ten persons. Lessons learned from this ongoing investigation have resulted in plans by the FAA to enhance its inspector force to improve surveillance of air carrier maintenance.

As you would expect, accidents such as these can command a large share of the Board's resources. But because it is our role to recommend accident prevention measures, the Board also devotes effort and expense to extract safety lessons from the investigation of mishaps which do not lead to loss of life or serious aircraft damage.

Miami Near-Ditching

Clearly the single most dramatic example in this category during 1983 was the near-ditching off the coast of Miami of an Eastern Airlines L-1011

with 172 persons on board. Approximately 50 miles from its destination in Nassau, Bahamas, low oil pressure forced the crew to shut down the No. 2 engine and a decision was made to return to Miami. But 14 minutes later power was lost on the No. 3 engine and five minutes after that on the No. 1 engine.

The powerless jet descended in a glide to within 4,000 feet of the ocean before the crew managed to restart the engine it had shut down and to make a landing at Miami International. The flight was less than three minutes from ditching.

Board investigators determined that during a maintenance check a "chip detector" had been removed from each of the aircraft's engines for inspection. Designed to detect the presence of metallic particles in the oil that could signal engine wear, the detectors were replaced, but without oil seals, known as "O-rings." As a result, the oil leaked from all three engines.

Once again, a Safety Board investigation has emphasized FAA surveillance of air carrier maintenance, as well as issues relating to cabin safety and passenger preparedness for in-flight emergencies.

Fortunately, this occurrence did not result in casualties, but it is obvious from the viewpoint of safety that there is as much to be learned from "might-have-beens" as there is from accidents -- and the lessons are no less valuable because they were not costly in terms of loss of life, injuries or property damage. We believe that thorough investigations of these types of occurrences are solid investments in accident prevention.

Highway Investigations

The Board concentrated its limited highway accident investigation resources on those accidents which held the greatest potential for safety lessons that could be applied across a wide spectrum. For example, the Board continued to concentrate on child passenger safety by giving special attention to schoolbus accidents. As part of this emphasis, the Board

investigated two fatal schoolbus accidents -- one in Willow Creek, California which claimed the lives of two persons, and the other in Jonesboro, Arkansas where nine persons died.

Jonesboro Accident

As a result of the Jonesboro accident, the Board called for new federal standards for schoolbus mechanic qualifications as well as certification of mechanics in specific skill areas. The Board also urged the states to upgrade qualifications and training for schoolbus inspectors and mechanics, and to adopt quality control procedures to determine if needed bus repairs have been performed adequately.

Willow Creek Accident

In the Willow Creek accident, an inattentive dump-truck driver caused a head-on collision with a schoolbus. The truck driver and a student were killed -- and thirty one passengers in the schoolbus were injured. The Board's investigation revealed that the severity of some of the injuries was due to the fact that the schoolbus seats were of a type that pre-dated a federal standard prohibiting bus seats from having exposed metal frames. As a result, the Board urged the states to retrofit the older buses if they are refurbished during their normal service life.

Mianus Bridge Collapse

Perhaps the most dramatic highway accident of 1983 occurred in the early morning hours of June 24, 1983 when a section of the Interstate 95 bridge over Connecticut's Mianus River collapsed. Three persons died when their vehicles fell seventy feet into the river. The design and maintenance of the bridge are key issues in the Board's investigation, and a final report is expected later this year.

Highway Safety Initiatives

In addition to these investigative activities, the Board has vigorously pursued highway goals discussed in last year's hearing. Working with numerous special interest groups, the Board has continued its efforts to persuade

state legislatures to increase the drinking age to twenty one in an effort to decrease the senseless deaths and injuries caused by drunk drivers. While these activities have met with some success, there remains considerable opposition in many states.

The Board also has endeavored to encourage states to pass laws requiring the use of child safety restraints for crash protection. This effort has been particularly successful, and only six states currently are without some form of child crash protection requirements. The Board will continue its efforts in both these areas and others.

Railroad Investigations

The Board investigated thirteen major rail accidents in 1983. Some examples:

On April 3rd at about 4:00 a.m. during a Denver and Rio Grande Western switching move, a tank car was punctured, spilling over 20,000 gallons of nitric acid and forcing the temporary evacuation of 3,000 residents from the Metropolitan Denver area.

On November 12th, near Woodlawn, Texas, an AMTRAK train ("The Eagle") derailed en route to Chicago from San Antonio. Four passengers were killed and 93 were injured. Damage was estimated to be about $1,000,000.

Perhaps the most bizarre sequence of events in railroading last year took place on the night of August 24th and the early morning of August 25th when AMTRAK's Silver Meteor, northbound from St. Petersburg, Florida to New York, struck a person about eight miles north of Savannah, Georgia at about 7:40 p.m.; struck a highway vehicle stalled on a crossing at Ridgeland, South Carolina at about 9:27 p.m.; and, following a crew change in Florence, South Carolina, struck a tractor semi-trailer truck stalled on the track at a crossing near Rowland, North Carolina at about 1:10 a.m., causing the two diesel and two head baggage cars to derail. As if that wasn't enough

misfortune, this same train, on its return trip the next day, struck a vehicle broadside at a crossing near Kenly, North Carolina. I mention this unfortunate series of events to highlight the continuous problems and dangers associated with highway/railroad crossings.

Marine Investigations

The Board investigated thirteen major marine accidents in 1983, including the February 12th capsizing and sinking of the MARINE ELECTRIC off the coast of Virginia near Chincoteague which claimed thirty one lives; the non-fatal capsizing of the U.S. charter vessel SAN MATEO on February 16th in Morro Bay, California with thirty two persons (including twenty three children) aboard; and the October 31st sinking of the drillship GLOMAR JAVA SEA in the South China Sea. At this time there are no known survivors from among the eighty one persons aboard the drillship despite the search efforts of Chinese Navy and supply boats and the U.S. Air Force in adverse weather conditions.

The Board has completed its reports on both the MARINE ELECTRIC and the SAN MATEO accidents, and its recommendations are pending before the Coast Guard.

Pipeline Investigations

The Board conducted nineteen pipeline investigations in 1983. In addition, it issued two reports on major pipeline accidents involving excavation-caused damages which occurred in 1982. Directly or indirectly, both involved the lack of maps and records for pipeline facilities or the failure to use them for identifying the location of buried facilities in advance of excavation activities.

A natural gas explosion in October 1983 which destroyed a supermarket in South Charleston, West Virginia re-emphasized the importance of the adequacy of maps and their use. The Board conducted a three-day public hearing to obtain in-depth factual information on the circumstances leading to this non-fatal accident. Issues developed besides the adequacy of maps included emergency response and employee training. A report is expected in mid 1984.

Safety Studies

In addition to its accident investigation activities, the Board conducts selected safety studies in areas where it has identified ongoing or potential transportation safety problems or issues of national significance.

Infant and Child Passenger Crash Protection

An example is a study the Board completed in September 1983 on infant and child motor vehicle passenger crash protection. This study is one phase of the overall Board initiative to increase its impact on highway safety by targeting selected issues and advocating solutions. Over the longer term, the Board plans to continue its active role in advocating improved child crash protection through presentation of the study findings at safety-related meetings and, as mentioned earlier, by assisting state legislatures in the development and improvement of child passenger safety legislation.

Airport Design, Certification and Operations

A number of accident investigations have revealed safety problems related to airport design or operations and to the system by which the Federal Aviation Administration certificates airports. A safety study, to be issued in early 1984, was initiated to explore several issues related to whether the operational limitations of older airports involve hazards not found at more recently designed airports, and whether the FAA applies certification standards consistently to all airports.

Alcohol Involvement in Recreational Boating

In October 1983 the Board issued a safety study on alcohol involvement in recreational boating. Boating accidents receive scant attention in transportation safety circles, and yet recreational boating fatalities in 1982 were second only to those recorded for highway -- higher even than general aviation fatalities.

Although current official Coast Guard accident data indicate that only about six percent of fatalities in recreational boating accidents involve alcohol use by operators, we found evidence to suggest that this figure is very low. In 1980, for instance, a North Carolina report concluded that 38 percent of persons killed in recreational boating accidents had blood alcohol concentrations of 0.10 percent or greater -- which is the standard presumptive limit of intoxication on the highway. Maryland reported that in three years, 75 percent of 613 boating accidents were alcohol-related.

These and other conflicting figures indicate a need for better reporting requirements and procedures, and the high number of deaths reflect a need for more safety awareness on the part of recreational boaters. The Board has received excellent responses from both the Coast Guard and the recreational boating industry to recommendations to compile real-world statistics and educate users to the dangers of mixing alcohol and water in boating.

Human Performance

Despite all the time and effort the Safety Board expends on accident prevention through investigations, safety studies and recommendation follow-up, there is one category of accident causation which the Board has addressed in only a limited fashion -- and that is human performance. In the aviation mode, for instance, the flight crew has been identified as a causal factor in about 65 - 70 percent of all air carrier accidents. For commuter airlines, the comparable figure is around 75 percent, and in general aviation the pilot is involved in an astounding rate of over 80 percent of all accidents.

These statistics represent a dangerous void in our knowledge of what it is that causes accidents -- the "whys" behind the "what happened." In an effort to increase its capability to delve into the human factors involved in accidents of all transportation modes, the Board has reorganized its former human factors division into two new divisions -- survival factors and human performance -- and added twelve new positions.

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The Human Performance Division will investigate factors affecting the behavior of the operator and other persons involved in the circumstances leading to an accident, including their relationship to the task, the machine and the environment.

We know that accident prevention requires more than a determination of cause -- we need to know why. Where once a statement of human factors involvement in an accident ended our investigation activities, it is now often just the beginning.

FY 1985 Appropriations Request

For fiscal year 1985, the Board is requesting $20.845 million which is $207,000 less than our current budget.

I remain committed in my support for the President's budget and his efforts to restrain growth and improve the management of the Federal Government. And I am equally committed to the Congress and the American public to insure that every dollar of Safety Board funds is spent to maximize the safety benefits achieved.

To that end, I am prepared to respond to specific questions concerning the Board's programs and budget.

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DEREGULATION

Senator ANDREWS. In December, the Secretary of Transportation initiated a safety review throughout the Department of Transportation. To what extent is safety in the deregulated transportation environment of concern to the Board?

Mr. BURNETT. We are very concerned, Mr. Chairman, with safety in the deregulated environment. We believe that deregulation, although it is not necessarily inconsistent with safety, certainly presents some new challenges to those agencies which have the responsibility for regulating and maintaining safety in our Nation's transportation system.

We do not have the very static economic conditions in the transportation industry that we once had. We have new entrants, people who are not used to the regulatory environment and working with the regulators, and with whom the regulators are not used to working.

It requires some change in regulatory practice, we think, in order to be successful. I think our public hearing in the Air Illinois case in Carbondale, Ill., pointed that out, and I think had a great deal to do with some of the Secretary of Transportation's interest in this area.

AVIATION SAFETY INSPECTORS

Senator ANDREWS. One initiative undertaken by the Department of Transportation was the increase of 166 aviation safety inspectors. We understand that you testified before the House Committee that merely hiring more inspectors is not the answer, that the inspectors have to seek out the right safety information.

Now, this amounts more or less to an indictment about what the inspectors are doing now. Do you feel the inspectors in the field are simply not seeking out the right safety information? Can you explain your concerns and how FAA should address them?

Mr. BURNETT. Yes; I will refer to the investigation we have under way involving the Air Illinois accident in which our public hearing revealed that, although there were serious safety violations on the part of that carrier, the inspectors would routinely go for an inspection that would be scheduled and the carrier knew to expect the inspection. They would ask them to sweep the floors of a hangar, ask them to put TSO stickers on the seat in the aircraft, they would ask them to put the liquor license in the aircraft.

But many very, we think, obvious safety hazards that could have been found with any kind of aggressive inspection program were being overlooked. And I think in that situation merely adding people with the same sort of surveillance strategy would only have resulted in a waste of more public money.

Now, in saying that I do not oppose the adding of inspectors, because to have the kind of surveillance program I think is necessary requires more manpower perhaps than they have, and one of the things that perhaps has demoralized the FAA inspection program is that they have so few people in relation to their task.

Senator ANDREWS. Who supervises these inspectors? You obviously made a pretty severe commentary about what the inspectors are doing out there, but has this feeling that the Board has picked up been transmitted to the committees, and been communicated to the FAA? Is the FAA doing something about it?

Mr. BURNETT. They had supervisory personnel present at our hearing. I think they concluded some of the things we did, although obviously they are more constrained from saying that publicly, because we saw before the hearing was closed a special surveillance effort, including 100 percent surveillance in the cockpit, instituted by the Great Lakes region, and we saw immediately following that a review, not only of Air Illinois, but a very close inspection of a lot of other carriers that had been commuter carriers and were moving into major carrier status.

Senator ANDREWS. Well, when you on the National Transportation Safety Board sense something like this, which is really a clear violation of the intent of these aviation safety inspectors, do you just wait until some time you are testifying before a congressional committee to mention it? Did you send a communication regarding it directly to the FAA prior to your testimony?

Mr. BURNETT. Well, when we first became aware of some of the problems that existed—that was very early in our investigation—we communicated it verbally to the FAA and to the DOT, so they could stay on top of it. In fact, I think they did, and I think the Secretary has responded.

We will have recommendations coming forth in the course of preparing our report which will be aimed at improved surveillance techniques. When we conduct the public hearings, the public record is there not only for us to see but for the FAA to see as well, and they did have people participating. And it was also available for the policymakers and the public, which puts a lot of pressure on them to correct the problems.

ECONOMICS AND SAFETY

Senator ANDREWS. In your opinion are financially strapped carriers cutting safety and maintenance corners?

Mr. BURNETT. We occasionally see evidence of someone who is financially strapped cutting corners, although certainly from our statistical evidence we find that there is really no relationship that we can determine between the financial hardship and a poor safety record.

What you can also find is that there are some people who are doing financially well that are cutting corners. That may be the reason they are doing so well.

What we think is necessary is a good across the board surveillance program, vigorous enforcement of rigorous safety regulations, to be sure that all carriers, no matter what their financial status or how new they are as entrants, are maintaining high standards. I think there is a danger that if you do not do that, the bad can drive out the good in the aviation industry, and we do not want that to happen.

The most efficient way for the Government to maintain good safety standards is through direct safety regulation and not through trying to regulate routes and fares and that sort of thing.

SMALL PASSENGER AIRCRAFT

Senator ANDREWS. The GAO issued a report on the need for improved safety standards for small passenger airplanes. Does your Board feel it is less safe to fly in these smaller aircraft?

Mr. BURNETT. Clearly it is because of the environment in which they fly. Larger aircraft are able to get up and over the weather. We do not think the small aircraft travel will ever equal larger aircraft travel in safety.

The question I think that is even more important is, Is small aircraft flying as safe as it can be? It is clearly not. There is room for improvement. I do not think that in many respects it is quite fair to compare small aircraft operations to the larger aircraft operations.

LEVEL OF EMPLOYMENT

Senator ANDREWS. Last year we approved 347 employees for fiscal year 1984. The budget shows that your fiscal year 1984 employee level is at 333. What level of employment did you request from OMB for both fiscal years 1984 and 1985?

Mr. KISSINGER. We have requested 347 for the past 3 years.

Senator ANDREWS. How many positions are currently filled?

Mr. KISSINGER. Approximately 340.

Senator ANDREWS. 340?

Mr. KISSINGER. 340.

Senator ANDREWS. How many will you have filled at the end of fiscal year 1984?

Mr. KISSINGER. We expect to have 351 people on board. That will translate into an average over this year of 333.

Senator ANDREWS. That is wonderful, but what do you do with the 351 next year? Do you expect attrition to take some of them away?

Mr. KISSINGER. We would be forced to either let attrition make up the difference or go through another reduction in force.

APPROPRIATION REQUEST

Senator ANDREWS. Is the appropriations request of $20.845 million enough to fund the 333 full-time equivalent positions?

Mr. BURNETT. No, sir, it is not. We think it will fund approximately 320 positions.

Senator ANDREWS. What are you going to do for the balance? Punt?

Mr. BURNETT. Well, we do have one option, to allow attrition to bring us down to the 320 level. The problem with that is it is sort of like playing Russian roulette. You let chance determine what positions you have to fill, and I think it is a little bit of a copout.

It would certainly help us moralewise if we did not have a reduction in force, but I think to some degree we will have to drop some

programs that we currently have under way or expect to have under way under the planning for this year.

Senator ANDREWS. What is the appropriation amount necessary to fund 347 full-time equivalent employees in fiscal year 1985?

Mr. KISSINGER. We had requested $22.5 million.

Senator ANDREWS. That would fund the 347?

Mr. KISSINGER. That is correct.

Senator ANDREWS. Do you have the latest estimate of the cost to fund the 333 full-time equivalent employees?

Mr. KISSINGER. I think that would translate into $21.6 million.

Senator ANDREWS. So actually what you are at is the 333 level?

Mr. BURNETT. Well, the 333 level, Mr. Chairman, although that will be our average for this year, will require us to cut back over what we have at the end of the year through attrition or through discontinuance of programs.

Basically we are not able, because of our problems in recruiting the very highly qualified technical people we have to have, to get up to the 347 level at the beginning of the year. So we are in the process of doing that. We have to reverse the process for a level of 333.

But we do not want—it is definitely my determination that those programs that have just started, that we have gotten under way, are not going to be those that are cut, because that would be certainly a waste of public funds, to start these programs and then come back and prune them out.

So we are going to have to look for some other ways to reduce our effort, and we have options such as: discontinuing aviation incident investigations, which we are not legally mandated to do but which has been of great safety payoff, we think; discontinue investigations of ultralights, which is again something that is marginal. The FAA thinks they can determine that those are not civil aircraft and will not be a part of our responsibility. We think there has been a safety payoff there, but it is one of the areas that perhaps we could drop without relatively severe safety consequences.

And we will have to look at our appeals process we maintain for aviation licensing and medical certificates, because even though I think we have an obligation under the statute to do that, the safety payoff from that is relatively low in comparison to the other alternatives.

FIELD INVESTIGATION REPORTS

Senator ANDREWS. Why then does your budget project fiscal year 1985 field investigation reports to decrease 7 percent from this year and by 26 percent from fiscal year 1983? It is difficult to understand, because your employment level in each year has increased over fiscal year 1983. Yet these very same field investigations that you point out as being important are what you are cutting back.

Why, when you have got the same or a greater amount of personnel, are you cutting back what you just told me was most important?

Mr. BURNETT. Well, basically we are given the choice of trying to accommodate our budgetary needs to the strain the country is having in meeting its fiscal limitations.

Senator ANDREWS. I know the strain the country is having. But your employment has increased over fiscal year 1983. You just told the committee you felt that field investigations were extremely important. Yet, you are cutting them back by 26 percent from the fiscal year 1983 level, even while you have a greater budget now than you had then.

Mr. KISSINGER. I do not think we have. I think what you may be seeing is that the——

Senator ANDREWS. You do not think you have what, cut them back or the same amount of money?

Mr. KISSINGER. Cutting them back. In other words in the President's budget for 1985 is we have based all of our workload estimates on the assumption that we would have attrition. So we have shown the cuts fairly uniformly.

At the same time we have shown an increase, a steady increase in our workload in our investigations and our reports.

FIELD INVESTIGATION WORKLOAD

Senator ANDREWS. You say, in this fantastic pile of mimeographed sheets, page 5, summary of resource requirements, workload measures, field accident investigation reports, you did 4,828 in fiscal year 1983. Then you project 3,575 for 1985.

Now, that is a 26-percent cut we are talking about. These are your figures, not ours. You put an asterisk on it and say the number of reports you did in fiscal year 1983 was high because you had a special effort to eliminate the backlog of uncompleted reports.

That is wonderful, but if you had this special effort back then why do you not make a special effort now if, as the chairman just pointed out, you feel the field investigation reports are important?

Mr. KISSINGER. Again, I think we have. The distinction there is the 4,828 figure in fiscal year 1983 is talking primarily about reports. If you take a look at the number of investigations we initiated between 1982 and 1983, we saw a dropoff which was commensurate with the reduction in force we went through.

We then went through a rebuilding process. We had a steady increase in the number of investigations we have actually done.

The figures in 1985 at the congressional stage again are primarily a reflection of the fact that we do not think we can continue to do more or even the same with less resources. That does reflect the uniform cutback we have assumed based on attrition.

Again, for example, from 1980 to 1982, when we went through the 27-percent reduction in resources, we realized somewhere around a 38-percent across-the-board reduction in our output—reports, investigations, safety studies. From 1982 to 1983, as we started to grow, we saw a 12-percent increase in the number of investigations we have done and a commensurate 73-percent output in the number of reports.

So we feel we have made some remarkable progress in terms of productivity. Dollar for dollar, we think we are giving the American public more today than we were last year and 2 years ago.

Senator ANDREWS. That is true, but why will that not continue into 1985?

Mr. KISSINGER. We think it will continue. We will be seeing some productivity increases, and to some extent our 1985 budget, as our 1984 budget and 1983 budget reflects the fact that we think we should be doing more than we have been doing in the past.

Senator ANDREWS. That is very commendable, but why do you not, since we have a rather sketchy summary, provide to us—take some time to add for the record some more facts and figures that will substantiate this.

Mr. KISSINGER. We will be happy to do that, Mr. Chairman.

[The information follows:]

PRODUCTIVITY IMPROVEMENTS

In fiscal year 1983, we made a special effort to eliminate the backlog of our uncompleted field accident investigation reports, the bulk of which had accumulated over the 2-year period 1980–82 when we experienced a drastic reduction in our staff. In fiscal year 1980, we issued 4,495 field accident reports compared to 2,770 in fiscal year 1982, a 38-percent reduction.

In order to fulfill our statutory responsibility for the investigation of all civil aviation accidents, we were forced, in many cases, to delay the issuance of reports so that investigations could continue to be conducted.

Since the majority of our field accident investigations are in the aviation mode, the number of field accident investigations we initiated did not decline as dramatically during that period (4,613 in 1980 compared with 4,327 in 1982) as did the number of reports issued.

As we have indicated in our fiscal year 1985 budget submission, the number of field accident reports which we will be able to issue in fiscal year 1984 with our anticipated staffing level of 333 full-time equivalent (FTE) positions is 3,840. Since we were able to eliminate the major portion of our existing backlog in fiscal year 1983, the number of reports issued in fiscal year 1984 will more closely resemble the number of investigations we initiate in a normal year. The number of reports (3,575) which we anticipate being able to issue in fiscal year 1985, however, has been reduced from the fiscal year 1984 level to reflect the reduced staffing level (330 FTE positions) anticipated in that year. Since the number of investigations initiated will remain approximately constant, a backlog of reports issued inevitably will be carried into fiscal year 1986.

Due to favorable congressional action on our fiscal years 1983 and 1984 appropriations requests, we have been able to begin restoring our employment strength to an acceptable level. In addition to significantly reducing the backlog of field accident investigation reports, we were able to make other productivity improvements. Between 1980 and 1982, the average length of time required from the date of an accident to the adoption by the Board of a major accident report increased 7 percent (from 8.95 months to 9.62 months). Between 1982 and 1983, we were able to reverse that trend, reducing the time to 9.34 months. We expect this downward trend to continue in fiscal year 1984. In 1983, we conducted 14 public hearings compared with four in fiscal year 1982, including three on the important child restraint safety issue. Also, between 1982 and 1983, we experienced an increase in the number of safety studies we conducted from two to five allowing us to further improve our coverage of significant safety issues.

With adequate funding and staffing levels, we will be able to continue to make productivity improvements in 1982 and future years.

AIR TRAFFIC CONTROL

Senator ANDREWS. Recent articles about retaining operating limits at the largest airports have led to some suggestions that the air traffic control system is not fully recovered, that new controllers are not qualified for unrestricted air capacity. In your opinion, is that a valid statement?

Mr. BURNETT. Yes, Mr. Chairman, it is. I think certainly the air traffic control system has not fully recovered. We have relatively few people, relatively inexperienced, doing what a larger number and a more experienced number in the group were doing prior to the strike.

Certainly, it is not the Safety Board's position that those positions should be replaced person for person, because in fact I think that there was an excessive staffing level in the air traffic control system prior to the strike. But neither can we expect much less experienced controllers to handle the kind of unrestricted traffic loads they handled before the strike, and I think there is a need to maintain some restriction on the traffic loads for purposes of safety.

Senator ANDREWS. Is this only a problem at the big three airports—Kennedy, LaGuardia, or O'Hare?

Mr. BURNETT. I am afraid it is not, Mr. Chairman.

Senator ANDREWS. Is it a problem all over?

Mr. BURNETT. It is a more general problem.

Senator ANDREWS. I am sure you are going to make a report to the FAA as to what your feelings are on this?

Mr. BURNETT. We have made two reports to them. We have raised those points. We now have in process several investigations that involve air traffic control issues, including the near-collision of the Pan American wide bodies off the coast of Miami, the near collision of a Piedmont plane on landing in Cincinnati just a couple weeks ago with some snow removal, runway maintenance vehicles. And we also had a collision out in Sioux Falls with a ground vehicle.

All those involved air traffic control issues, and we will be making recommendations to the FAA as soon as the investigations are sufficiently along.

APPROACH TO NATIONAL AIRPORT

Senator ANDREWS. You recommended last March that the FAA improve safety procedures, about a year ago, for National Airport approaches from the north. Which of these four recommendations were adopted?

Mr. BURNETT. Basically now, although they initially turned us down on all of them, they have in effect adopted three of them. They are in the process of being implemented. One of them, the visual descent point, went into effect as of March 15. The new localizer directional aide (LDA) approach is now to go into effect mid-March. That should take care of the problem that exists on the approaches threatening the building.

However, we are very concerned with the integrity of the minimum safe altitude warning system that we first got hint of in our investigation of the near-collision of Piedmont and the building, and that has been reconfirmed in the latest incident that took place on March 8.

We are not as sure as we once were as to what the true problem involving the minimum safe altitude warning (MSAW) system is, and our investigation now is concentrating on that system to see what the problem is at Washington National, whether it only exists at Washington National, or is one that may exist throughout the Nation.

Senator ANDREWS. Is the FAA cooperating with you?

Mr. BURNETT. Initially they were very uncooperative.

Senator ANDREWS. You said they did not do anything, and now they have essentially put in three of the four recommendations. You also said they are going to be in by mid-March. It is past mid-March now, so they are all in effect, I assume.

Mr. BURNETT. One of them was in effect, the visual descent one, which would keep the aircraft at a minimum of 720 feet until they reach a point 1,800 feet inside that building. It went into effect on March 15. We think the FAA is going to have to have special enforcement to be sure the pilots obey that. It is not one of those things that is self-enforcing.

On the new approach that we recommended, the equipment has been ordered. It was scheduled to go into effect in September and, at the Secretary's request after these most recent instances, it has now been moved up to mid-August, which we think is probably as fast as it can be done.

Senator ANDREWS. What else do you feel the Department of Transportation should do to improve the safety of the approach?

Mr. BURNETT. We think the MSAW system has to be corrected not only to protect that approach, but any other incursions there might be in the Washington area between the aircraft and the ground. Perhaps these problems that exist may be nationwide, but we are not yet confident as to what steps need to be made to correct that.

FLIGHT CREW—CAUSAL FACTOR

Senator ANDREWS. Statistics tell us that the flight crew is the factor in about 60 to 70 percent of the fatal air carrier incidents. Has this been an increasing or a decreasing percentage?

Mr. BURNETT. It has been rather static, I think. That is part of the problem with it. While mechanical problems have tended to go down over the last few years as a cause of accidents, we have seen very little decrease in the human performance.

Senator ANDREWS. Well, if mechanical has gone down, human performance has to go up, since those are the two reasons—unless the weather has gone up. What do we have, three? Mechanical, weather, and equipment? Or just weather and personnel?

Mr. DANAHER. Yes, sir, weather is frequently a factor also, yes.

Senator ANDREWS. But how can you have a weather factor exclusive of personnel or equipment?

Mr. BURNETT. There is extensive overlapping of factors. You can have a mechanical factor that should not lead to an accident if you had a good pilot.

Senator ANDREWS. What is the most promising solution in your opinion to the statistics showing that an increasing cause of accidents is the personnel factor?

Mr. BURNETT. Well, unfortuately, Mr. Chairman, that has been the area that has been the least explored by the Safety Board and by others in the aviation industry.

Senator ANDREWS. Why, since it is the biggest cause?

Mr. BURNETT. Well, I think that is a good question, why, and that is why we have organized our division of human performance, to pursue that. I think perhaps because it was much easier to deal with mechanical issues than it is with issues of human performance. It is better understood by the people in the industry.

But that is no excuse. So we now have to turn, I think, to the new frontier of human performance as the cause of accidents and what the solution is.

COCKPIT OPERATIONS AND MANAGEMENT

Senator ANDREWS. Do you feel that air carriers place enough emphasis on cockpit operations and management?

Mr. BURNETT. No; they have not, although they are beginning to. I think the trend in that direction is positive, but there is still room for improvement.

Senator ANDREWS. Whose responsibility is it going to be to have them increase attention to this problem?

Mr. BURNETT. Well, of course initially it is their responsibility. We are trying to point this out to them in the course of accident investigation and incident investigations. We certainly think the FAA should be looking over their shoulder to see that they do.

AIR CANADA/CINCINNATI

Senator ANDREWS. We understand that you recently reopened the Air Canada investigation of the DC–9 emergency landing in Cincinnati, with 23 passengers succumbing to fire and smoke. Why did you reopen the investigation?

Mr. BURNETT. Mr. Chairman, the investigation with the evidence we had at that stage did not enable us to make a determination as to the cause of the fire. We thought it was crucial to do so. In addition, we brought on as part of our new hiring you provided for us for this fiscal year—for the first time the Safety Board had a fire scientist and toxicologist, and he was able to review the evidence that we compiled and decided that some of the possibilities that had been discarded were worth further investigation. Therefore, we reopened it on the basis of his urging and advice, and we are very hopeful that we will be able to issue our report and come forward with a reliable determination of the source of the fire, which we did not have before.

AIRCRAFT FIRE RESISTANCE

Senator ANDREWS. What improvements have been made in aircraft fire resistance?

Mr. BURNETT. I will let Mr. Danaher answer that. There is not much right now.

Mr. DANAHER. In terms of actual changes, very little recently. The FAA has come forward with notices of proposed rulemaking which indicate their intent.

Senator ANDREWS. What is their timetable on that? Can you provide that for the record?

Mr. DANAHER. We will be glad to provide it for the record.

Several of the NPRM's are out for comment and several more are promised to come out imminently. Each of them has a finite review period.

[The information follows:]

TIMETABLE ON NOTICES OF PROPOSED RULEMAKING

On October 11, 1983, the FAA issued notices 83–14 and 83–15, concerning flammability requirements for aircraft seat cushions and floor proximity emergency escape path markings, respectively.

Notice 83–14 provides for new fire protection requirements of seat cushions in aircraft that were type certificated after January 1, 1958, 3 years after the effective date of the proposed regulation. The public comment period of this notice closed on February 8, 1984.These comments are being reviewed and analyzed in the aircraft engineering division of the FAA at this time and the proposed regulation will be revised accordingly. The FAA expects to issue a final rule in late 1984.

Notice 83–15 provides for new performance standards for floor proximity emergency escape path marking to provide visual guidance for emergency cabin evacuation when all sources of cabin lighting more than 4 feet above the aisle floor are totally obscured by smoke. The proposed regulation would affect aircraft that were type certificated after January 1, 1958, and would require compliance with the new standards within 2 years after the effective date of the proposed regulation. The proposed timeframe of this notice is the same as that for notice 83–14. that is late 1984.

Additional actions planned by the FAA and their timetable are as follows:

Cargo compartment liners. An NPRM, which was originally scheduled for release in late 1983, presently is under review at DOT. The NPRM is scheduled for release in June 1984.

Halon fire extinguishers and smoke detectors. An NPRM, originally scheduled for release on November 19, 1983, is now scheduled for release by June 1984. The NPRM is under review at DOT.

Antimisting kerosene. The FAA's project plan called for an NPRM to be developed by late 1984. However, a regulatory project has not been established on this research item at this time.

Interior materials. An NPRM presently is being drafted and is schedule to be released by late 1984.

Crewmember protective breathing equipment. An NPRM is in the drafting stage but a scheduled release date has not been set.

AIRCRAFT FLAMMABILITY

Senator ANDREWS. In every set of these hearings I have conducted since I have become chairman, we keep talking about what the possibilities are to correct this flammability problem, and every time we ask the question of what has been done we are told, nothing. So it is

still nothing and there are still a good many things that need to be done, is that correct?

Mr. DANAHER. Yes, sir.

Mr. BURNETT. That is correct, Mr. Chairman. In fact, one of the House committees we have been working very closely with, Chairman Levitas' Subcommittee on Oversight and Investigations, would like to force the FAA to do something, although we would prefer to see the FAA do it by regulation rather than legislation. But it may perhaps have to come by legislation.

EASTERN AIRLINES L-1011

Senator ANDREWS. Can you give us an update of your investigation of the Eastern L-1011 incident when the oil seals were missing on the engines? Was this an isolated incident, or a widespread maintenance oversight of not worrying about these O-rings?

Mr. BURNETT. The investigation revealed, Mr. Chairman, that there had been I think 12 instances prior to the one that occurred in May of last year in which there had been engine shutdowns due to either missing O-rings, defective O-rings, or missing magnetic chip detectors, of which the O-rings are the sealant; and that some of those, I think in five cases, those resulted in unscheduled landings, which is something that should have signaled to Eastern Airlines and to the FAA, which had access to that information, that there was a trend that indicated a problem in the maintenance procedures.

In fact, no one prior to that near-ditching took any steps to—well, they took steps, but they did not take effectual steps—to solve that problem. And we have identified it as being a problem that not only involved the maintenance workers that were involved, but management of that airline, and it reflects also on the FAA surveillance program.

Senator ANDREWS. Well, you said there was this history before the near-tragedy that almost dropped the passengers in the drink. Do you not track those things with a computer or some such thing?

Mr. BURNETT. The FAA has facilities to do that and should do that.

Senator ANDREWS. Have you checked with the FAA to see if their computers had shown up this repeated problem with these O-rings?

Mr. BURNETT. Yes; we know very early in the process the FAA called it to Eastern Airlines' attention, but then there was no followup on the part of the FAA to see that they had taken the appropriate steps to correct it, or they apparently did not notice or ignored the fact that the trend continued.

FAA FOLLOWUP

Senator ANDREWS. In other words, you are telling us that we are spending money so that there can be these computer ticklers or checkouts, they do in fact work, they showed the FAA there were repeated incidents of O-ring problems? You are telling us that the FAA went to the carrier and told them of these repeated incidents, and then promptly went to sleep, didn't go back a couple, 3, 4 weeks later or 2 months later to see if they had upgraded their standard procedures?

Is that what I understand you to say?

Mr. BURNETT. Well, there was an initial improvement. Probably over the next couple of months it did improve. But then there began to be additional incidents. I will not say they promptly went to sleep, but they may have later on.

Senator ANDREWS. The point is, to the best of your knowledge the FAA did not go back and see what had been done as far as seriously implementing a new procedure to correct this problem?

Mr. BURNETT. Basically, the company apparently felt, and the FAA, that if disciplinary action was taken against the individual mechanics on a case-by-case basis, they were handling the problem.

In fact, we believe that the fact that these were repeated instances indicates there was something wrong with the system. Although there were some changes in the procedures made for carrying out this mechanical task and the documentation of it, there was no attempt by anyone, either the FAA or the company, to go out and look over the shoulders of the mechanics and see that they were doing it properly and sample whether or not the changes they made were in effect—were put into practice.

Senator ANDREWS. Isn't this rather appalling?

Mr. BURNETT. Yes, sir.

DRUNK DRIVING

Senator ANDREWS. The subcommittee is intrigued by the third phase of the Board's repeat offender drunk driving safety study, in which interviews with those individuals were conducted. What, if anything, might have deterred the repeat offenders?

Mr. BURNETT. Well, my personal position, Mr. Chairman—and this comes from my own experience in the court system, as well as my work as chairman of the Safety Board—is that strict penalties for first offenders is the best opportunity to correct someone's behavior.

By the time they are caught the second time as a drunk driver, they have probably established a long and rather well defined practice of driving drunk. Then they may be more of a medical problem than a criminal problem.

I think some of the interviews being conducted seem to reflect this. In other words, a lot of people are saying: "If something had been done my first time, I might have changed." That of course is a subjective judgment of the people involved.

One of the things we are trying to do with that study is to look at how these people were handled procedurally and why the process, the judicial process, the rehabilitation process, that establishment that we have set up to deal with these people, failed to do anything meaningful to change their course.

Senator ANDREWS. What States have increased penalties for the repeat offender?

Mr. BURNETT. Overall, I think there have been about 41 States that have passed new initiatives for drunk driving over the past 2 or 3 years. I do not want to say every one of those has increased penalties, al-

though I think that has been a characteristic that would probably be in most, if not all of them.

It is one of the things we are trying to do right now, trying to monitor the impact these programs have had to see which ones we think are working and are working dramatically and we think we can promote in other States.

Senator ANDREWS. Well, it would seem that there is something to be gained out there, because repeat offenders amount to about 30 percent of all convicted drunk drivers. But that also would tell us that we are missing, shall we say, our goal considerably by not getting to them the first time around.

Mr. BURNETT. That is correct, Mr. Chairman.

Senator ANDREWS. You mentioned that before in your testimony. Yet, you cannot outline the steps you are taking to see that your recommendations are implemented in this case?

Mr. BURNETT. We have a report on our agenda for April 3, which will carry with it some recommendations to the States that deal with that. If the Board sees fit to adopt them, I think they are good recommendations and I think we have the basis for going forward with some recommendations that will be very helpful to the States.

Senator ANDREWS. When will they be out?

Mr. BURNETT. Well, that depends on Board adoption, and I cannot speak for the Board on that. But we hope they will be out soon after April 3.

ALCOHOL AND RECREATIONAL BOATING

Senator ANDREWS. Now, since your Board reviews the Coast Guard data on recreational boating accidents involving alcohol, they say 6 percent of the accidents involve alcohol; you say that is inaccurate. What steps need to be taken to better determine what the true incidence is of boating accidents involving alcohol?

Mr. BURNETT. Mr. Sweedler.

Mr. SWEEDLER. One of the important steps that need to be taken is for the States to actually have laws that give their law enforcement people the same rights, similar rights, that the law enforcement people have on the highways. Many States do not even consider boating under the influence of alcohol an offense. Many others do not even allow their police that do enforce the laws to test a person who they think may be under the influence, or even one that has been in an accident.

It is through these studies that a few States have done that have shown that the Coast Guard data is extremely misrepresentative. They talk about 6 percent alcohol involvement and we may be talking about 400 to 800 lives a year that may be lost through alcohol involvement.

Senator ANDREWS. What figure do you think would be more accurate?

Mr. BURNETT. We are not sure, Mr. Chairman, what the accurate figure is. But let me give you the best evidence we have. We have a couple of States that have done studies that looked at alcohol involvement in their boating accidents, their fatal boating accidents.

They have come up with alcohol involvement running very close to the 75- to 80-percent range. But that includes a lot of people who are way below the .10 level. We had a couple of States that have done studies looking at, for instance California, looking at all the people who have been autopsied, and looking at the operators they found that .10 or above you find in the 30-percent range. That is where we get our 400, based upon about 1,200 fatalities, about 400 to 800 range.

I suspect it is in the upper reaches of that range, but we do not want to say so without more evidence than we have now. I saw Alabama had come up with a figure very recently in which they reflected a majority of their boating deaths for 1983 were alcohol involved.

One of our recommendations involves doing comprehensive autopsy and toxicology tests on operators who are killed in boating accidents, so that we can get a much better handle on what the true problem is. But we know it is very significant.

Another factor is that the National Institute of Alcoholism and Alcohol Abuse and the National Council on Alcoholism have both done studies which indicate that, each one, approximately two-thirds, in the 60-percent range, of the drownings in this country are alcohol-related. Since 90 percent of the boating fatalities are drownings, it would also indicate that there is a high correlation.

SUBMITTED QUESTIONS

Senator ANDREWS. I have some more questions, but I think I will ask them for the record. Senator Chiles has some questions that he would like to have answered for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

SAFETY LEVELS

SENATOR ANDREWS: Overall, should citizens feel that the Federal government has done enough to insure safe transportation?

ANSWER: From its perspective of safety advocacy, the Safety Board has to conclude that the Federal Government has not done enough to insure safe transportation. One indication of the unfinished safety agenda is the list of Safety Board recommendations that are still awaiting satisfactory response from federal agencies. In fact, concern that safety was not being given the priority it deserved in part prompted Congress to create the Safety Board.

Tremendous strides have been made in recent years in terms of technological improvements in transportation, but the Safety Board strongly believes that there is a great deal more improvement to be made, especially in the area of human performance.

SENATOR ANDREWS: Does the Board feel FAA can avert another Air Illinois-type incident?

ANSWER: The FAA has stated that they intend to increase both the number of inspectors and the surveillance requirements relating to 14 CFR 121 and 135 operations. The Board believes that these changes, when implemented, may help to eliminate some of the areas that contributed to the Air Illinois accident. However, the effectiveness of the proposed FAA measures will be governed by the type and quality of the surveillance inspections.

SMALLER AIRCRAFT

SENATOR ANDREWS: Is the FAA reviewing air taxi and small operator regulations and standards to find alternatives to increase the level of safety?

ANSWER: The FAA constantly reviews the Federal Aviation Regulations. Part 135 governing air taxi and commercial operators was completely revised in 1978. On March 28, 1984 a Notice of Proposed Rulemaking was issued on flight duty times and rest limitations. Other significant topics being studied for possible regulatory change include the limitations on single engine aircraft IFR operations and possible revisions to upgrade both operations and maintenance requirements for rotorcraft operators.

SENATOR ANDREWS: How could flight simulator training be expanded for air taxi pilots?

ANSWER: The FAA will conclude a project in July 1984 which hopefully will enable air taxi operators to optimize crew training and checking using simulation rather than aircraft. This increased use of simulators not only will enhance safety but also will provide economic benefits to the operators. At the present time the industry is in an uncertain situation with no definitive standards which would enable the operators and FAA to predetermine the acceptability of various training devices, and industry is reluctant to produce equipment which is not marketable. At the completion of the FAA's study, there will be a sufficient data base of task and cue analyses to enable the various segments (FAA, operator, manufacturer, etc.) to establish their respective requirements, conduct cost benefit analyses, and introduce or expand the use of flight simulator/training devices in training. It is anticipated that in most cases

smaller operators will contract with privately owned training centers where generic trainers will maximize the application of the relatively expensive equipment.

SENATE INSTRUCTIONS

SENATOR ANDREWS: Last year's Senate report reflected specific areas for its funding increase of $1.327 million over the budget request. Since the conference level was only $1.123 million over the request, which areas listed in the Senate report were adjusted and by what amounts?

ANSWER: The Safety Board's Congressional stage budget request for fiscal year 1984 was $19.735 million. At the fiscal year 1983 level of services, this requested amount would have funded only 312 full-time equivalent (FTE) positions in fiscal year 1984. The additional $1.123 million provided by the Congress in our appropriation bill allowed funding of 17 more FTE positions as well as increases in overtime, awards, travel, and training. The table below shows the areas that were increased as a result of Congressional action.

(DOLLARS IN THOUSANDS)

	INCREASED FUNDING OVER FY 1984 REQUEST		
	SENATE REPORT	CONFERENCE LEVEL	DIFFERENCE
Staffing Related Increases.			
Basic Compensation	760	658	- 102
Other 1/	—	230	+ 230
Subtotal	760	888	+ 128
Overtime	80	20	- 60
Awards	40	70	+ 30
Travel	154	106	- 48
Training	30	39	+ 9
Public Information	50	-- 2/	- 50
Laboratory Equipment	213	— 3/	- 213
TOTAL	1,327	1,123	- 204

1/ Includes staffing-related increases for Rents, Communications, and Utilities, Printing, Other Services, Supplies, and Equipment.

2/ The video tape presentation, discussed in the Senate report, is being developed using in-house resources.

3/ Approximately $183,000 in fiscal year 1983 savings was reprogrammed from other areas to purchase some of the laboratory equipment identified in the Senate report. Approximately the same amount has been budgeted for fiscal year 1984.

EMPLOYMENT

SENATOR ANDREWS: Explain why FY 1985 positions are held to the OMB allowance and FY 1984 level of 343, but the full-time equivalent employment level for FY 1985 is decreased by 13. Will this necessitate a reduction-in-force? What program areas would be affected?

ANSWER: The decrease in employment level between FY 1984 and 1985 is a reflection of the reduced level of funding proposed by the OMB. Since over 70 percent of the Board's budget is for salaries, any decrease in funding will necessitate reductions in staff.

At the requested level of $20,845,000, we estimate that 320 positions can be filled. We intend to make every effort to avoid another reduction in force. Our experience with reductions in force during FY 1981 and 1982 convinced us that they are ruinous to agency morale, counterproductive from a management standpoint, disruptive of agency productivity in all programs -- not just those subject to the reduction in force, extremely time consuming of management and staff time, costly in the near term due to severance payments required, and destructive of meaningful manpower planning due to the loss of the newest, lowest-graded employees -- not necessarily the least competent.

However, our only other alternative -- attempting to absorb the cuts through attrition -- creates equally difficult management problems resulting from the chance nature of the personnel losses. Vacancies are unlikely to occur in the lowest priority positions; because of the thinness of the Board's technical staffing, the loss of a single key position could impact an entire program area; and the uncertainty of the magnitude of attrition could result in inadequate numbers of staff and corresponding dollars being reduced in time to avoid a reduction in force anyway.

Thus, should a reduction in force become necessary, responsible management would dictate that the activities to be eliminated be identified on the basis of an assessment of their relative priority in support of transportation safety, as well as the maintenance of some modal balance in the Board's programs. The programs initially identified for elimination are: the conduct of investigations of aircraft incidents, ultralight accidents, and accidents occurring in foreign countries involving U.S. registered or manufactured aircraft; and the initial review of airman appeals of the revocation, denial or suspension of their certificates by administrative law judges. The potential effects of elimination of these programs are outlined below.

The Board's investigation of fatal and serious-injury ultralight accidents constitutes the only Federal safety oversight of this burgeoning transportation activity, in the absence of FAA safety regulation. As a result of the Board's past activity in this area, the magnitude and rapidly increasing trend in fatal and serious-injury ultralight accidents was discovered, a number of structural problems with specific ultralight makes were identified and corrected, and Board leadership stimulated increased safety consciousness and coordinated safety efforts among manufacturers and pilot organizations.

In the absence of funding for incident investigations in the past, the Board might not have been able to investigate the series of incidents involving air carriers flying dangerously close to tall buildings in Rosslyn, Virginia, during approaches to Washington National Airport; the near collision between two Pan American flights off the coast of Florida on January 1, 1984 while under the control

of the Miami Air Route Traffic Control Center; and the loss of 3,000 feet in altitude following the emergency shutdown of both engines by a United Airlines B-767 over Denver as a result of contaminated fuel nozzles.

Elimination of the foreign accident investigation program would mean that Board investigators would not participate in some 50 investigations in foreign countries of accidents involving U.S. registered or manufactured aircraft. Such investigations not only offer the same accident prevention benefits as investigations of such accidents occurring in the United States, but they provide much needed product support to U.S. firms marketing aircraft products and services in the increasingly competitive international aviation industry, the current U.S. share of which constitutes one of this country's largest export commodities. The crash of a chartered Spantex DC-10 during an aborted take-off from Malaga, Spain, which killed 50 of the 384 persons on board and injured scores more, is an example of a major foreign investigation in which the Board might have to reduce or eliminate on-site participation in the future.

If a reduction in force of the Board's administrative law judges has to be carried out, the Members of the Board would have to assume the burden of holding the required evidentiary hearings on appeals from FAA denials, suspensions or revocations of certificates until the legislation requiring the Board to hold such hearings was modified to either transfer the function elsewhere, permit its assignment to other staff personnel, or eliminate it entirely. In the interim, it could be expected that substantial delays in adjudicating such cases would occur and a significant backlog in cases pending would develop, since Board Members would have to attempt to accommodate this additional workload into their already demanding schedules.

Should the attrition that would be required at a $20.8 million funding level occur ideally in time and in the identified program areas, the program impacts would be distributed as reflected in our budget submission to the Congress. Reductions would occur in almost all of our workload areas. The reductions in program outputs would result in growing backlogs of pending cases and corresponding decreases in the timeliness of their completion. In summary, whether the required staff and dollar reductions are absorbed through attrition or reductions in force, the overall result will be fewer reports, studies and recommendations and thus fewer and less timely safety accomplishments. We will not only not be able to do more with less, we will also not be able to do the same with less.

WORKLOAD

SENATOR ANDREWS: Why is the Board's workload for this fiscal year virtually identical in both the OMB and Congressional request, despite the OMB employment cut of 24?

ANSWER: The workload estimates in both the OMB and Congressional stage budgets represent our best estimates at the time we submitted each budget. These numbers are very similar because they reflect basically the same funding levels and therefore approximately the same staffing level for FY 1984.

However, the staffing differences between the two budgets is due to the way positions are counted. In the OMB stage budget the FY 1984 staffing level is shown at 347 ceiling and 357 authorized to be consistent with language in both the House and Senate reports for our 1984 appropriation. As indicated in the Congressional stage budget the OMB reduced the Board's ceiling level to 333 and authorized level to 343. By coincidence the ceiling level for FY

1984 of 333 equals the number of staff the Board could fund with $21,052,000, whereas in FY 1985 the ceiling is 333 FTE, the funding level of $20,845,000 would only fund 320 FTE.

The current method of accounting for positions between "authorized," "OMB ceilings," and "funded" and between "full-time," "part-time," "permanent," "temporary," "OPM positions," etc. is very confusing. The Board would support any move to streamline this accounting of staff.

SENATOR ANDREWS: Please explain why the budget shows FY 1985 workload decreases in safety recommendations, major accident reports, and certificate appeals given an employment ceiling identical to this fiscal year?

ANSWER: The employment ceiling is just that. In 1984 it coincidentally agrees with our estimated FTE level. However, in 1985 the proposed reduction in funding will only fund approximately 320 FTE. Therefore, a similar reduction in the workload estimates is reflected.

EQUIPMENT

SENATOR ANDREWS: Explain the decrease from $1,029,000 in FY 1983 for equipment to $379,000 in FY 1985.

ANSWER: The FY 1983 equipment figure includes $689,000 for the one-time purchase of a new computer to replace the one which was previously rented.

SENATOR ANDREWS: What routine reviews are conducted by the Board on equipment needs?

ANSWER: Within funding limitations, the Board annually reviews its equipment needs with the highest priority given to replacing aged and/or obsolete laboratory equipment with state-of-the-art equipment to ensure the highest quality laboratory support for our investigations. Priority is also given to office automation which leads to improved productivity of both the professional and clerical staff.

SENATOR ANDREWS: How does the Board keep its laboratory equipment at an acceptable "state-of-the-aviation-art" level?

ANSWER: The laboratory staff keeps up with technological advances in appropriate fields by reading, discussions with other government and industry personnel, training courses and by actively working with other experts. Laboratory equipment essential to accident investigations is constantly being developed and improved, and the lab staff makes it a point to keep abreast of these developments. Our recent thrusts have been in the area of computer processing, graphics and animation of accident sequences, and videotape analyses.

INVESTIGATION BACKLOG

SENATOR ANDREWS: The budget (pg. 15) claims as an accomplishment the elimination of backlogged aviation and railroad field accident reports. Does that mean the Board reports are now current? Why had the backlog persisted since the beginning of the Board; were the backlogged accident investigations of a lower-level priority?

ANSWER: During fiscal year 1983, we eliminated the backlog of uncompleted 1980 and 1981 accident reports. Thus far in FY 1984 we eliminated a backlog of uncompleted 1982 reports, and expect to

be completely current (i.e. to within six months of the date of an accident) in the issuance of field aviation and rail reports by the end of FY 1984. This backlog persisted since the beginning of the Board because of the absence of adequate numbers of personnel to process the reports in a timely fashion using historic approaches. Significant advances in automatic data processing capabilities and techniques, the Board's acquisition of enhanced computer technology and capacity to utilize those new ADP capabilities, and the modification of our accident data collection forms and documentation procedures to accommodate to such automation have allowed us to make such significant strides in backlog reduction.

The backlog accident investigations were generally of a lower priority in terms of the potential for immediate safety improvements than were the other accidents and programs to which we devoted available staff time. That is, accident investigations from which it was believed that high priority safety recommendations or other safety improvements would emanate were not allowed to languish; however, the cases in the backlog did include many in which there was public interest and desire for the accident reports to assist in claim settlements, litigation, etc. In addition, until the results of all accident investigations in each year are known and available in our automated accident data bank, broader statistical analyses and studies of selected safety problem areas using that year's data are not possible. Thus, completing such investigative records and eliminating the backlog were essential.

TRAINING

SENATOR ANDREWS: The NTSB training budget was increased from $170,000 to $250,000. How much of this will be spent to train investigators on the latest equipment? How much administrative travel will be conducted this year and FY 1985? To what extent do industry groups conduct seminars on new equipment or technology? Does the Board actively pursue such training opportunities?

ANSWER: The Board's FY 1984 Training Plan includes approximately $233,000 to cover the cost of individual development plans (IDP's) for each employee. These plans are developed from the top down with specific emphasis on current and future Board-wide requirements for specific technical skills such as technical training on new generation airplanes (757, 767, DC9-80), engine failure analysis, locomotive systems and performance, traffic accident reconstruction, crash survivability, radar plotting, tankship operation, design, operation and maintenance of gas pipelines, safety evaluation of pipeline systems, highway and aviation crashworthiness advances, aviation psychology, universal and digital flight data recorder familiarization, as well as general administrative and managerial skills. As a rule, industry groups provide training on newly introduced equipment and technology in the form of seminars and/or orientation sessions developed for interested parties. The Board actively pursues these training opportunities to further enhance the technical skills of our investigators and technical support personnel.

In addition, we have developed an in-house training plan estimated to cost approximately $50,000 this fiscal year which is tailored to NTSB needs and programs and which accomplishes similar training required by many employees often on site and at a lower cost. Some of the in-house seminars being offered this year cover various subjects of interest to a large number of NTSB employees including: human performance protocol, railroad indoctrination,

basic/advanced accident investigation techniques, ADP/word processing training, carbon fibre technology, and speaking before a group. Below is a summary of the Board's planned training expenditures for the current fiscal year.

FY 84 PLANNED EXPENDITURES

Individual Development Plan	$244,000
In-house Training	50,000
Specialized Group Training (Helicopters)	9,000
TOTAL	$292,000

The amount budgeted for administrative travel in FY 1984 and FY 1985 is $136,000 (approximately 11 percent of the total travel budgeted for each year). A large portion of the administrative travel budget is used to keep the staff abreast of emerging technologies.

AIR TRAFFIC CONTROL

SENATOR ANDREWS: To what extent did the Board's follow-up investigation of the air traffic control system expose problems with controller fatigue? Do the study conclusions indicate that the FAA is heading into the same problems that presaged the PATCO strike?

ANSWER: Controller fatigue is a continuing concern of the Safety Board. Our followup study of the air traffic control system determined that many controllers continue to work extended hours, especially when providing on-the-job training, and that many of the controllers (33 percent who reported a moderate to heavy workload) are at times fatigued and under stress. It was also revealed that the majority of the controllers are expending almost maximum effort, that workload can become very heavy during rush traffic periods, and that, at times, the controllers can become overloaded because of that workload.

Numerous controllers advised that when a fatigue problem was identified, the controller had been given time off which solved the problem. However, application of this remedy is not widespread among the air traffic control facilities surveyed by the Board, and the lack of a program to detect the onset of, and to alleviate controller fatigue and stress is of deep concern.

Following the Board's initial study of the air traffic control system a recommendation was issued to the Federal Aviation Administration to establish and implement such a program. This has not been done and the recommendation has been classified as "closed - unacceptable action." That recommendation was reiterated in the Board's followup study.

Although the Board's investigation did not address the potential for labor/maangement problems which lead to the controllers' strike, virtually all controllers contacted by the Board mentioned management-employee relations. Both controllers and supervisors indicated that many of the working conditions, issues and problems of the prestrike period still exist and need to be resolved. They said that managers and supervisors have the same attitudes now as before August 1981 and that there are communication problems.

SENATOR ANDREWS: Did the study uncover a tendency for unreported incidents?

ANSWER: Yes, the Board's follow-up investigation uncovered several instances of unreported operational errors. Our concern in

this regard resulted in a safety recommendation to provide for positive identification of less-than-standard separation incidents by means of radar computer programs. The key to our concern was that the safety of the system could not be accurately addressed, and the quality of the system could not be improved, without a complete reporting and investigation of controller and pilot errors within the system. The FAA has been partly responsive to our recommendations.

NATIONAL AIRSPACE PLAN

SENATOR ANDREWS: How active has the Board been in assessing the safety benefits inherent in the airspace plan?

ANSWER: The Safety Board has continuously reviewed the National Airspace System Plan which basically advocates that capacity productivity, safety, and economy can be best realized through higher levels of automation and consolidations of major facilities.

The Safety Board believes that aviation safety will be enhanced if better, more complete services and increased system productivity can be achieved by means of increased automation, consolidations, and associated equipment development.

SENATOR ANDREWS: The justification mentions, for example, that the Board feels air traffic controller programming procedures for aircraft separation need to be improved. Have you any assurance from the FAA that such improvements are, in fact, part of the National Airspace System Plan (NAS) for advanced automation suites?

ANSWER: In its update of the NAS Plan, dated April 1983, the FAA identified 15 separate projects related to upgrading the en route system and 15 specific projects to upgrade the terminal system. With regard to the en route phase, one of the major projects is to provide an automation-aided assist to en route radar controllers in resolving potential conflicts when violation of separation minima is about to occur. The conflict resolution advisory function is designed to provide the radar controller with a display of alternative resolutions of the pending conflict. The stated prime objective of the conflict resolution advisories is to reduce the number of operational errors. On the terminal side, a major project is to provide enhanced Terminal Conflict Alert. One of the planned software enhancements is intended to refine conflict alert processing so as to optimize processor and memory resources.

If these goals are achieved in the NAS Plan the intent to the Board's recommendation will have been satisfied.

FUEL TYPES

SENATOR ANDREWS: In January, a cargo plane crashed because it had been mistakenly loaded with jet fuel. To avoid such mixups, why could not fuel openings be sized, as they are for autos?

ANSWER: In 1981 and 1982, following a series of accidents involving the misfueling of aircraft, a member of the Board's staff contacted various organizations to determine their current views regarding a solution to this problem and received their support for his solution. His solution was to modify aircraft and fuel spouts as the automobile industry did with leaded and unleaded fuels. This would affect some 150,000 aircraft.

In October of 1982 the Safety Board recommended to the General Aviation Manufacturers Assocaition that they:

> Convene a meeting of representatives of the aviation and petroleum industries to examine the practicality

of standardizing and modifying nozzles and tank openings throughout the aviation fuel distribution system from the refinery to the airplane so that jet fuel cannot be inadvertently delivered to tanks intended for the containment of aviation gasoline; and

coordinate the action by the aviation fuel distribution industry to implement measures in the distribution system that will positively prevent the inadvertent fueling of reciprocating engine-powered aircraft with jet fuel.

In November 1982, the first meeting was held at the GAMA offices in Washington, D. C. Since that date numerous meetings have been held and much has been accomplished.

The last meeting of the Joint Government/Industry Task Force on Aircraft Misfueling was convened on November 16, 1983. It was agreed that NASA would continue to research ways and means of developing an inexpensive test to determine whether AVGAS was contaminated with jet fuel. Also, new aircraft manufactured in late March and early April 1984 will leave factories with the new size fuel filler openings.

It was also agreed that the new size fuel spouts would be adopted in late March and early April at the fixed base operators. Retrofit kits for older aircraft will arrive at the manufacturers in late March and early April 1984 and will be available at cost.

An ad hoc committee was formed to determine the best way to insure quality control at fixed base operations and to draft an industry standard acceptable to the aviation and petroleum industries. This FAA airworthiness standard would be used by the aviation insurance companies as a standard basis for insurability.

A Committee was formed to develop a promotional campaign to spread the word on misfueling to the entire aviation community, both domestic and foreign. The results of this recommendation should reveal positive improvements during Calendar Year 1984.

SENATOR ANDREWS: What recommendations has the Board made to FAA on aircraft fueling? Has the Board taken a position on who should be liable for fueling (airport operators or fuel contractors)?

ANSWER: In 1970, as the result of a Martin 404 accident in Atlanta, Georgia, where the aircraft had been misfueled with jet fuel instead of AVGAS, the Board recommended to the FAA that a colored circle be put on aircraft around the fuel filler openings to correspond to a specific type of fuel. In response, the FAA issued a Notice of Proposed Rulemaking which was withdrawn in 1975 due to the number of adverse comments received from the various segments of the aviation industry.

It is not within the purview of the Board's mandate to assess liability or blame. It is our responsibility to investigate, determine probable cause and develop recommendations to preclude recurrence. The determination of liability or responsibility is a matter for the Judiciary.

HUMAN PERFORMANCE PROGRAM

SENATOR ANDREWS: The Board filled 12 additional positions, and in October established the Human Performance Division. Since this initiative is discussed in the technology portion of the budget, which projects an employment decrease in FY 1985, what will the Board do to realign other work?

ANSWER: The 14 FTE reduction reflected in the Congressional stage budget assumed that the reduced personnel level would be achieved by attrition. This scenario's most likely impact is that the scope of major investigations would be drastically reduced in all technical specialists including human performance, and reports would be substantially delayed due to shortages in crucial technical specialties.

If, instead, a reduction in force is required, we will have to realign our work to eliminate incident investigations and other proactive activities.

SENATOR ANDREWS: How many accident investigations has this Division participated in? What conclusions and recommendations about human performance have been reached so far?

ANSWER: Since the formation of the Division in October 1983, the Human Performance specialists have participated "on scene" in one marine, four highway, three railroad and nine aviation cases. A specialist has been assigned to follow all major cases for potential human performance issues. The Division is presently involved in monitoring approximately 25 such cases in all modes and provides human performance expertise as necessary.

Although the human performance program is in its initial stages of formulation, we foresee substantive strides in the near future for gaining insight into human error involvement in accident causation. Several safety recommendations are in the development stage at this point in all modes regarding human performance factors. They include such issues as general aviation aircraft human engineering considerations and single-pilot instrument flight certification for air taxi operators, airport runway/taxiway markings, air traffic controller performance, railroad crew performance, and highway/railroad grade crossing conspicuity. The Division is presently following up on several outstanding human performance issues, including instrument approach chart human engineering design considerations, controller stress and fatigue and commercial driver qualifications.

SENATOR ANDREWS: Given the almost infinite range of human interactions in an accident, has the Board established parameters on this Division's responsibility:

ANSWER: The Human Performance Division has developed an investigative protocol which outlines the spectrum of human performance factors which have been found to affect operator behavior and which should be examined in the context of any investigation. Many of the areas contained in the protocol permits a more systematic and comprehensive approach to the analysis of factors influencing human performance.

The formulation of the protocol, which will be modified as necessary, included reviews of many other organizations' efforts in this area, including military, British and Canadian human performance efforts. Expertise also was elicited from the Air Force School of Aerospace Medicine, NASA/AMES, the Naval Health Research Center, the Naval Safety Center and numerous academic communities. An extensive literature search was conducted to ensure that the protocal reflects the consensus of experts and scientific data on human performance in accidents.

In selected high-visibility and/or complex human performance cases, a specialist will be assigned to participate directly in the investigation. For other cases, we are in the process of training all investigators in the concepts of human performance investigation, so that such factors will be examined when an assigned specialist is

not available. We are also in the process of defining specific human performance safety issues for each transportation mode so that special emphasis can be directed to such issues in all cases.

SENATOR ANDREWS: To what degree will it be easier or more difficult for the Board's recommendations on human performance to be adopted? Has the Board, for example, established a mechanism for communicating human performance recommendations to relevant labor and carrier groups?

ANSWER: We believe that the expertise of the human performance staff in the subject of behavioral sciences, human engineering, etc. will permit the Board to make more indepth analyses and subsequently more viable safety recommendations for prevention of human performance-related accident cases.

As part of the Human Performance Division's efforts in formulating its program plan and investigative protocol, there have been two symposia (Springfield, Virginia April 1983, and Washington, D.C., March 10, 1984) at which the aviation industry, including airlines and pilots labor groups, have had the opportunity to review our planned program nd to provide their input to its implementation. We plan to continue such dialogue in the future. If a particular investigative finding warrants it, we certainly will communicate recommendations directly to airlines or pilot groups, although they have always been apprised of our safety concerns by means of participation on an investigation and receipt of accident reports and safety recommendations.

SENATOR ANDREWS: The budget (pg. 14) mentions the Canadian human factors accident investigators. Are the Canadians more advanced in this area? To what extent will the Board benefit from other countries' research so far?

ANSWER: Our staff has been in contact with human factors accident investigators from a number of the industrialized nations around the world, including the Canadians through ICAO and other channels. In our judgment, the Canadians are not more advanced in this area than we. They investigate fewer transportation accidents than we and have a smaller investigative staff. Although they currently are sponsoring research at the university level concerning pilot judgment training, which we are monitoring closely, they do not have a formal human performance investigation program underway. We plan to continue our international dialogue to take advantage of future developments in this area by other nations.

FLIGHT DATA RECORDERS

SENATOR ANDREWS: Why is there no standardization of the flight data recorders required of passenger air carriers?

ANSWER: 14 CFR 121 lists the general parameters that are required to be recorded. Aeronautical Radio, Inc. (ARINC) Specifications 573 and 717 provide design guidance for the development and installation of expanded flight data acquisition and recording systems to insure interchangeability of equipment in "standard" aircraft installations. Beyond this, further standardization cannot be expected because each vendor is free to design his recording system to conform to the current available technology and the "conditions of the marketplace." In addition, each model airplane is differently designed and will contain controls and control surfaces different from other airplanes (e.g., trailing edge and leading edge device configurations). Thus, the actual parameters recorded or their conversion equations will vary from one model airplane to another.

SENATOR ANDREWS: What percentage of flights are now on aircraft equipped with digital flight data recorders?

ANSWER: Digital FDR are required on large air carrier aircraft (14 CFR 121 operations) which received their original type certificate after September 30, 1969. This includes the DC-10, the L-1011, the Boeing 747, 757, 767, but not the Boeing 727 and 737 (including the newly introduced 737-300 model).

The 5-parameter set recorded by the old-style FDR was predicated upon the invalid assumption that airplanes certificated before September 30, 1969 would soon reach the end of their service lives. New series airplanes that incorporate new technologies are now being manufactured under the old type certificates. For example, Boeing's new 737-300 has laser-gyro inertial reference equipment and a digital cockpit which incorporates features of the 767, but a 5-parameter recording system. However, McDonnell-Douglas has digital FDR on all DC-9-80 (MD-80) with large parameter lists.

Thus, only about 20 percent of the present U.S. fleet are required to be equipped with a 17-parameter digital FDR.

SENATOR ANDREWS: Are commuter carriers required to have such devices? If not, why not, since they represent such a growing share of the aviation market?

ANSWER: Commuter carriers (14 CFR 135 operations) are not required to carry flight data recorders, although turbojets with ten or more passenger seats are required to carry a cockpit voice recorder. The Safety Board agrees that all multiengine, turbine-powered aircraft not already required to have recorders should carry a flight data recorder and a cockpit voice recorder. Thus, the Safety Board made recommendations regarding "general aviation" recorders to the FAA on August 31, 1982 (A-82-106 through -111).

The FAA responded to the recommendations on May 27, 1983 saying that it would initiate rulemaking to require CVRs on all twin-engine turbine-powered, fixed-wing aircraft operating under 14 CFR 135 certificated to carry six or more passengers, requiring two pilots, and manufactured after a to-be-specified date. The FAA has said that it does not intend to require FDRs on these aircraft.

Safety Board comments on the FAA's letter were sent to the Administrator on October 24, 1983. These comments provide input to the FAA regarding the need for general aviation recorders.

The notice of proposed rulemaking is still in preparation and has not been issued.

In response to NTSB recommendation A-82-106, FAA is sponsoring an effort by the Society of Automotive Engineers (SAE) to develop an aerospace standard on general aviation recorders. FAA said that, "When SAE Standard AS-8039 is approved, the FAA intends to prepare a Technical Standard Order (TSO) referencing this standard."

The SAE project is continuing. A Safety Board staff member is actively participating in the drafting subcommittee. The draft SAE standard AS-8039 was sent to "users and suppliers of general aviation flight recorders" on July 18, 1983. Reviewers had until September 1, 1983 to comment. A letter from the Safety Board's Chairman to the SAE commenting on AS-8039 was sent on August 17, 1983.

The SAE drafting subcommittee met on December 7 and 8, 1983 to consider and respond to each comment recieved on the draft standard. Final SAE approval of the AS-8039 is expected in the spring of 1984.

The former Administrator of FAA said that FAA intends to prepare a TSO referencing AS-8039 when it is given final approval by the SAE, and that the proposed TSO will be forwarded to the Board when notice of its availability is published in the Federal Register.

SENATOR ANDREWS: We understand that the accident in Spain last fall resulted in damage to the flight data recorder. Should this occurrence result in increased tolerance standards for recorder impact survivability? If not, why not?

ANSWER: The flight data recorder from the Avianca B-747 accident in Spain suffered severe impact damage. The tape from this model recorder has survived many accidents, more-or-less intact, and this was the first time that we encountered such severe tape damage. Therefore, at this time we do not believe that there is a design deficiency in this model FDR, and do not plan to ask the FAA to issue an Airworthiness Directive regarding it.

However, in general, we believe that FDR and CVR survivability standards need to be upgraded. We have been working toward this end with the U.S. Naval Air Test Center at Patuxent River, Maryland and with the Society of Automotive Engineers.

SENATOR ANDREWS: What is the status of an international flight data recorder standard?

ANSWER: On March 4, 1983 the International Civil Aviation Organization (ICAO) issued a set of proposals regarding improved CVR and FDR systems to its member states for comment. The ICAO letter contained a set of proposals similar to recent NTSB safety recommendations on flight recorders. The Safety Board's position paper on these proposals were sent to U.S. Interagency Group on International Aviation (IGIA) member agencies on June 10, 1983. Copies were also sent to members of the ICAO Flight Recorder Study Group in Canada, France, the United Kingdom, and in the USSR. This paper was intended to provide guidance in formulating the U.S. position on the ICAO proposals.

FAA's position paper was issued in January 1984 and was generally negative. On February 2, 1984 the IGIA Principal Staff Officer sent copies of both the FAA and the NTSB position papers to IGIA members and U.S. industry organizations for comments. Comments directed to IGIA were due February 13, 1984. On March 27, 1984 the Department of Transportation Assistant Secretary for Policy and International Affairs sent the Safety Board Chairman a letter that said he had forwarded a recommended U.S. response to the Department of State. This recommended U.S. response called for further study of the problem, and asked ICAO to consider U.S. rulemaking proposals that are not now available, but that would be published in the future. The official U.S. position is due at ICAO on April 6, 1984.

The Safety Board is disappointed in the proposed U.S. response and believes that the FAA historically has been very negative on the subject of improved accident recorders, has been dragging its feet, and will continue to do so.

SENATOR ANDREWS: Flight data recorders could aid airlines in their maintenance activities. To what extent is this done now and how can this be encouraged?

ANSWER: Only one U.S. airline that we are aware of uses recorded data routinely to monitor aircraft operations. Many European airlines monitor aircraft operations and/or use recorded data for maintenance purposes using special "Quick Access Recorders" onboard their aircraft so that flight data is easily accessible without disturbing the crash recorder. British Airways and Luthansa are two outstanding examples of airlines that routinely analyze recorded data.

This practice should be encouraged because it helps to improve reliability and economy of aircraft operations. One way to encourage the practice is to develop solid economic figures which show how much savings result from analyzing recorded data for engine maintenance and maintenance on other aircraft systems.

AIR ILLINOIS

SENATOR ANDREWS: Update the Subcommittee on the Board's progress in the Air Illinois investigation.

ANSWER: Except for further investigation into the condition of and the operating capability of the Hawker Siddley 746 airplane's DC power generating system, the Safety Board's investigation is almost complete. We hope to conclude our investigation of the DC generators sometime during the month of April 1984.

SENATOR ANDREWS: When will the Board issue its conclusions and recommendations on the Carbondale accident?

ANSWER: We estimate that we will be able to issue our findings, conclusions and recommendations sometime this summer. However, on March 14, 1984, the Board issued recommendations A-84-14 and 15, which were, in part, based on factual evidence discovered during the Air Illinois investigation. These recommendations were designed to expand and improve FAA surveillance procedures. A copy of these recommendations follows.

RECOMMENDATIONS ON THE AIR ILLINOIS ACCIDENT

ISSUED: MAR 14 1984

On February 15, 1983, a Sierra Pacific Airlines DHC-6, operating as Transwestern Flight 868, crashed during its final landing approach to the Sun Valley Airport, Hailey, Idaho. Of the eight persons aboard the airplane, seven received serious injuries and the other received minor injuries. The airplane was destroyed. 1/

The National Transportation Safety Board's investigation of the accident disclosed that pitch control of the airplane was lost because an elevator control linkage separated. An improper and unsecured bolt had been used in the linkage connection, and the bolt had backed out of the linkage. Further investigation into the origin of the improper bolt and the maintenance performed on the airplane disclosed deficiencies in Sierra Pacific's maintenance and inspection organization and procedures.

The Safety Board's investigation disclosed that the distinction and separation between the company's inspection and maintenance required by 14 CFR 135.423(c) 2/ did not exist. The Director of Quality Control did not manage or supervise the inspectors; he worked only 3 days per week, and his office was located 15 miles from the company's maintenance facility. Also, he testified that he was hired to maintain airplane records, which he did. However, he asserted no control or supervision over mechanics who also possessed inspection authority. Instead, the evidence indicated that the Director of Maintenance not only directed and supervised the mechanics in their maintenance activities but also directed and supervised their efforts when they performed inspection duties. Also, the Director of Maintenance possessed and used inspection authority. The Safety Board believes that the lack of an independently controlled and supervised inspection function resulted in the commingling of maintenance and inspection functions to the extent that an adequate inspection of the elevator control linkage, which would have revealed the existence of the unproper bolt, was never performed.

The Principal Maintenance Inspector assigned to Sierra Pacific Airlines by the Federal Aviation Administration (FAA) was assigned to three other air carriers and one repair station, and he had secondary responsibility for 12 to 14 other air carriers operating into Tucson, Arizona, under the FAA's area concept. According to maintenance surveillance records, the three airworthiness inspectors assigned to Air Carrier District Office (ACDO) No. 34 in Tucson had inspected Sierra Pacific 56 times between July 2, 1981, and February 9, 1983. Thirty-nine of these inspections were related to the large airplane maintenance program, 7 were related to the DHC-6 program, and 10 involved general meetings on various subjects. However, none of the inspections detected the commingling of Sierra Pacific's maintenance and inspection functions.

Although not factors in the Sierra Pacific DHC-6 accident, other deficiencies existed in the company's operation of the DHC-6. These deficiencies included the use of average baggage weights rather than actual weights; the use of a weight and balance form that did not provide for calculation and recording of the airplane's center of gravity; the placement of baggage in an incorrect location in the airplane; and the cancellation of a flight plan required by company procedures. Failure to detect these deficiencies can be related to the lack of FAA operational surveillance, because no surveillance was conducted of the DHC-6 operation during 2 months of activity.

Similarities to the above maintenance and inspection deficiencies were discovered during the National Transportation Safety Board's investigation of an Air Illinois, Inc., HS 748 airplane accident on October 11, 1983, near Pinckneyville, Illinois. Following a complete electrical failure at night while en route from Springfield, Illinois, to

1/ For more detailed information read Aircraft Accident Report--"Sierra Pacific Airlines, deHavilland DHC-6-300, N361V, Hailey, Idaho, February 15, 1983" (NTSB/AAR-84/03).

2/ Title 14 CFR 135.423(c) states in part, "Each person performing required inspection functions in addition to other maintenance, preventive maintenance, or alterations, shall organize the performance of those functions so as to separate the required inspection functions from the other maintenance, preventive maintenance, and alteration functions. The separation shall be below the level of administrative control at which overall responsibility for the required inspection functions and other maintenance...is exercised."

Carbondale, Illinois, the airplane crashed, and the ten persons aboard were killed. The only HS 748 operated by Air Illinois was destroyed.

Although the investigation of the Air Illinois accident is not complete, the Safety Board has found that Air Illinois' maintenance functions and inspection functions for the HS 748 airplane were commingled. In fact, the company's organizational chart showed that the lead mechanics and inspectors were both directly under the supervision and control of the Maintenance Manager for the HS 748 airplane. Also, the Chief Inspector's responsibilities as listed in the company maintenance manual did not include supervision or control of the inspectors. A former lead mechanic and inspector for Air Illinois testified during the Safety Board's public hearing into the accident that when exercising his inspection authority on the HS 748 airplane, he received his instructions and directions from the Maintenance Manager.

Although preliminary findings indicate that the commingling of the maintenance and inspection functions is not related to the cause of the Air Illinois accident, the Safety Board believes that such practices not only do not conform to the provisions of the Federal Aviation Regulations, 3/ but that they also discourage the exercise of independent authority by an inspector when he/she is performing inspection duties. Such conditions can lead to compromises that could jeopardize the safety of flight.

The Safety Board's investigation also disclosed that the HS 748 airplane's maintenance log contained few entries of mechanical irregularities. However, many mechanical irregularities were recorded on maintenance discrepancy reports which were retained in the maintenance facility. The Safety Board's correlation of airplane maintenance logs with the maintenance discrepancy reports showed that many mechanical irregularities, including significant electrical power generation irregularities, were never entered into the airplane's maintenance log.

Testimony at the Safety Board's public hearing on the Air Illinois accident disclosed that HS 748 flightcrews routinely failed to enter mechanical irregularities in the airplane maintenance log at the conclusion of a flight. Instead, they would either discuss the irregularities with the lead mechanic at the conclusion of a daily flight schedule or would write the irregularities on a separate sheet of paper and leave it for the lead mechanic. The lead mechanic would then record the mechanical irregularities in the maintenance discrepancy report. Since the maintenance corrective action for the irregularities was usually accomplished during the night, the corrective action was recorded on the maintenance discrepancy report from which the lead mechanic would brief the first flightcrew the next morning. Occasionally, the corrective action would be entered into the airplane maintenance log. The Safety Board believes this practice was not in conformity with 14 CFR 121.563 4/ and good maintenance practices. Further, we believe that proper surveillance by FAA operations and airworthiness inspectors should have detected and corrected this practice.

The Safety Board is fully aware of the recently announced plans of the Secretary, Department of Transportation, to increase significantly the size of the FAA's air carrier inspector force, to increase the frequency of air carrier inspection, and to inspect air carriers of all sizes. We believe that these plans when implemented should provide substantial improvements in the FAA's surveillance of the air carriers. However, as demonstrated by the circumstances of these accidents, we believe that several areas of surveillance need emphasis. Accordingly, the National Transportation Safety Board recommends that the Federal Aviation Administration:

> Issue an air carrier maintenance bulletin to emphasize: (1) the need for air carrier airworthiness inspectors to require during the certification process that the air carrier's manuals and maintenance organizational structure conform to regulatory requirements regarding the separation of maintenance and inspection functions, and (2) the need to conduct

3/ 14 CFR 121.365(e), same text as footnote 1.

4/ 14 CFR 121.563 states in part, "The pilot in command shall insure that all mechanical irregularities occurring during flight time are entered on the maintenance log of the airplane at the end of that flight time. Before each flight the pilot in command shall ascertain the status of each irregularity entered in the log at the end of the preceding flight."

surveillance in a manner that will verify that the air carrier is performing maintenance/inspections functions and duties in accordance with the requirements. (Class II, Priority Action) (84-14)

Issue air carrier maintenance and operations bulletins to emphasize to air carrier airworthiness and operations inspectors the regulatory requirements related to the recording of mechanical irregularities in aircraft maintenance logs and the need for proper surveillance to confirm conformity with the requirements, including scrutiny of aircraft maintenance logs and other maintenance records to verify that applicable maintenance corrective actions correlate to mechanical irregularities recorded by flightcrews in the aircraft maintenance logs. (Class II, Priority Action) (A-84-15)

BURNETT, Chairman, GOLDMAN, Vice Chairman, BURSLEY and ENGEN, Members, concurred in this recommendation. GROSE, Member, did not participate.

By: Jim Burnett
Chairman

SENATOR ANDREWS: How much time elapsed between the crash and the voluntary grounding of Air Illinois. What explains this delay?

ANSWER: The accident occurred on October 11, 1983. On November 29, 1983, as part of its ongoing investigation of the accident, the Safety Board convened an expedited public hearing. The issues investigated at the public hearing were limited to the carrier's maintenance, operational, and crew training procedures and FAA surveillance procedures. The hearing recessed December 3, 1983. On December 1, 1983, two days before the hearing recessed, the FAA announced that it intended to place the Air Illinois operation under 100 percent surveillance, and the special investigation was implemented on December 10, 1983. On December 15, 1983 Air Illinois voluntarily suspended operations. The inspection and grounding were the result of actions taken by the FAA and the carrier, and the Safety Board is not able to comment on the timing of these actions.

PAN AM NEAR MISSES

SENATOR ANDREWS: What avenues is the Board pursuing with the investigation of the near collision of two Pan Am jets off the Miami coast? When will this report be issued?

ANSWER: During the investigation of this incident the Safety Board discovered several problems within the Miami ARTCC with regard to flight progress strip marking, air route intersection/fix selection, the lack of controller team or crew oriented training and inadequate controller position relief briefings. Additionally, the Board found the current ATC Quality Assurance Program lacking and in the case of this incident, totally inadequate. Further, the investigation disclosed that there was no program within the Miami facility to evaluate the levels of stress or fatigue of controllers or the effect of these factors on the controller's performance.

In addition to looking at the current on-site problems in this incident, the Board reviewed problems previously addressed by the Board in detailed investigations of the nation's ATC system and found that the actions taken by the FAA did not coincide with the FAA's reply to two previous recommendations and these recommendations should be reiterated.

To this end, the Board is forwarding to the FAA a letter reemphasizing those two recommendations previously forwarded to the FAA, which are:

> Standardize and disseminate immediately as an interim measure basic guidelines and methodology for controller stress and fatigue detection and management, similar to those currently in use by some flight surgeons and facility supervisors and those developed by the Federal Aviation Administration's office of Aviation Medicine personnel, to the air traffic control supervisors to assist them to detect and alleviate stress and fatigue among controllers.
>
> Expedite the development and implementation of the Air Traffic Controller Performance Assessment Program currently being developed by the Federal Aviation Administration's Office of Aviation Medicine to assist air traffic control facility supervisors and managers to objectively and subjectively evaluate controller performance and to detect and alleviate stress and fatigue among controllers.

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AVIATION ACCIDENT INVESTIGATION

SENATOR ANDREWS: The budget (pg. 15) cites as an accomplishment the reduction from 753 to 210 in aviation investigations delegated by the Board to FAA. Under what circumstances does the Board delegate investigative work?

ANSWER: The Board implemented a new selectivity system on January 1, 1981 which defines five categories of aviation accidents. Briefly they are as follows:

Category 1: Major aircraft accidents investigated by an NTSB headquarters "Go-Team" resulting in the issuance of a formal blue cover report.

Categories 2 & 3: These categories of accidents involve both those accidents selected to be investigated by NTSB on a permanent basis and those accidents selected for potential accident prevention value.

Category 4 - FAA: This category of accidents involve those non-fatal, injury-involved accidents which have the least potential for a safety payoff or accident prevention valve. Following the initial notification, the Board investigator evaluates the mishap and if he/she identifies this type of accident the appropriate FAA inspector is asked to accept responsibility for investigation. In all cases, the delegation of investigative authority is predicated upon the availability of FAA manpower.

Category 5. This category of accidents involve property damage without any injuries to persons. These accidents will be investigated by the field offices and a report with appropriate factual recommendations is forwarded to the Headquarters Evaluation Staff.

SENATOR ANDREWS: When the FAA investigates an accident for the Board, are the same procedures followed? Is the quality the same?

ANSWER: The FAA follows the same procedures when investigating an accident that are followed by Board investigators.

The quality of the investigation is somehwat derogated by the fact that FAA inspectors are trained and oriented toward violation investigations, whereas the determination of probable cause is a Board's investigator's primary concern. The FAA inspector submits his final report to the appropriate Board field office for review. The report is analyzed for errors and/or omissions and quality prior to submission to Safety Board headquarters. Approximately 20 percent must be either returned to the FAA inspector or corrected by the NTSB field office following a consultation.

SENATOR ANDREWS: Is FAA reimbursed by the Board for any costs associated with investigations?

ANSWER: As a rule the Board does not reimburse the FAA for costs associated with its accident investigations. However, where important safety issues are involved, the Board has been willing to provide funding assistance to the FAA for wreckage removal and other such costs.

CONTROLLER DRUG USE

SENATOR ANDREWS: Do you have any observations or suggestions for the Subcommittee on the incidence of drug use by contollers? Do you believe the FAA should establish a drug screening program for controllers? In your opinion, would supervisors accurately recognize drug use symptoms?

ANSWER: The Safety Board has not become aware of a problem of drug use by controllers during its investigations, including the two special investigations of the ATC system. The wide-spread use of drugs by the general population suggests that a certain percentage of controllers might be using both illicit and licit drugs while on duty. Screening for such use would be a positive deterrent, in spite of the lack of investigative evidence that a problem exists.

We do not believe that ATC supervisors in general would recognize drug-use symptoms. The Board's recommendations to the FAA to disseminate a stress and fatigue monitoring program was directed toward educating supervisors on techniques of detecting abnormal behavior of controllers under their supervision.

AVIATION ACCIDENT

SENATOR ANDREWS: The Board's safety study on drug and alcohol abuse by pilots should be forthcoming soon. What legislative or administrative recommendations are likely to be included?

ANSWER: As a result of its statistical review of alcohol-involved aviation accidents, the Board is considering making recommendations to the FAA for the issuance of rules on implied consent to alcohol testing and on the setting of a minimum detectable level of blood alcohol as constituting "under the influence." The Board may also recommend the development of programs to assist Aviation Medical Examiners and others connected with the airman certification process to identify airmen who may be problem drinkers and permit clarification, additional testing, and if necessary, certificate denial.

GENERAL AVIATION CRASHWORTHINESS

SENATOR ANDREWS: Why does the FAA resist upgrading general aviation crash protection standards when the Board and the general aviation community have embarked on a joint effort to improve aircraft crashworthiness?

ANSWER: The FAA's resistance to improvements in aircraft crashworthiness for many years was based on its belief that insufficient data were available about the magnitude of the problem. The lack of engineering data needed to promulgate rules to which manufacturers could design crashworthiness features in small aircraft were the principle reasons for FAA's resistance to the Board's recommendations. These problems have been largely overcome after NASA's full-scale crash tests of small aircraft in the late 1970s and FAA's efforts to obtain mathematical modeling of the structural behavior of aircraft and aircraft components.

As a result of the efforts of the GASP committee, rapid progress apparently is being made in the development of rules for improved aircraft crashworthiness. In fact, the FAA is planning to issue rulemaking proposals on this safety issue by March 1985, and plans to issue a final rule in January of 1986. Therefore, the Safety Board is encouraged by the FAA's progress in the area and we believe that FAA's resistance now has been largely overcome.

AVIATION INDUSTRY SYMPOSIUM

SENATOR ANDREWS: Will the Board repeat its April 1983 industry "Aviation Accident Symposium"? What recommendations were made by industry to improve the Board's aviation accident investigations? Have such recommendations been implemented?

ANSWER: Yes, the Board will probably hold a similar symposium in 1986 or 1987.

The industry participants submitted sixty-eight separate recommendations for consideration by the Safety Board. In some cases, the recommendations related to subjects or procedures where the Board was already complying with the intent of the recommendations. Other recommendations addressed specific points, such as witness interviewing, photography, and wreckage documentation and presentation.

The major recommendation areas were related to cockpit voice recorders and flight recorders, human performance investigations, the role of parties in the investigation and the development of accident reports and recommendations.

The recommendations related to recorders addressed security measures, and the need to develop state of the art recorders which preserve data in new generation aircraft. Even before the symposium, the Board revised our procedures for the security of the transcripts of recorders, and we have further revised them now that we have had additional input from industry. Furthermore, the Board has recognized the need for advanced voice and flight recorders on new commercial aircraft and smaller business jets. We have made recommendations to the FAA on this subject over the past several years.

There were several recommendations regarding the roles of parties in investigations. Our position is to encourage party participation in the on-scene and public hearing/deposition phases, and to request parties to submit to the Board the findings and conclusions, and recommendations, which the parties believe are supported by the factual record. We have also encouraged parties to meet with the staff and the Board members to discuss the invesitgation issues. However, we have declined to allow the parties to participate in the writing or reviewing of the report, as they have requested. The analysis of the accident and the determination of probable cause is the responsibility of the Safety Board. We have allowed parties total input into the development of the record, and we are confident their input will be considered by the staff and the Board Members. However, we reserve the analysis and probable cause determination solely for the Safety Board.

Many of the recommendations that were submitted by industry are being implemented, or had already been implemented at the time the symposium was conducted. For example, the Safety Board's newly established Human Performance Division will address many of the human performance related issues raised at the Symposium. Additionally, the Board's program for new flight recorders and voice recorders is ongoing, and will satisfy some of the recommendations.

We have reviewed many of our procedures as a result of the symposium recommendations. Recommendations relating to fitness identification and interviewing, wreckage documentation, photography, technical reviews and the role of parties to the investigation have prompted an examination of Board procedures to review their adequacy.

AUTOMOBILE RESTRAINTS

SENATOR ANDREWS: What are the Board's current figures on infants and children protected by safety seats? How can the total national occupant protection percentage be brought to 25 percent, as National Highway Traffic Safety Administration predicts (current use is 14 percent)?

ANSWER: Motor vehicle occupant restraint usage rates, including infant and child restraint usage restraints, are estimated by

the National Highway Traffic Safety Administration, based on observed usage rates in 19 cities. The most recent usage rate estimates for infant and child restraint devices (fourth quarter 1983) are that about 58 percent of infants younger than one year and about 37 percent of toddlers aged one to four years are riding in safety seats, for a weighted total of about 40 percent of children up to four years. Unfortunately, the same observational surveys find that about 70 percent of the infant and child restraint devices are being used incorrectly, thus lowering or even totally negating their protective value. The Board has recommended to all of the individual states that they develop energetic programs to combat this misuse problem, and we have made it a high priority to work actively with the states to fulfill this recommendation.

Although overall national occupant restraint usage rates are somewhat higher now than they were at the beginning of the NHTSA usage promotion campaign, this rate is still discouragingly low at 14 percent. While the Board has not taken a position, it seems that the most promising means for increasing the percentage of motor vehicle occupants regularly protected by restraint systems is the passage of state mandatory restraint use laws (supplemented with energetic public education and law enforcement efforts).

AGE 21 DRINKING

SENATOR ANDREWS: How many states have drinking ages below 21? How many states passed age-21 legislation last year? What consideration has the Board given to oppose alcohol advertising efforts directed toward teenagers?

ANSWER: Thirty states now have legal drinking ages younger than 21 years. Some of these permit persons younger than 21 years to drink certain alcoholic beverages but not others. A complete breakdown of these variations is provided in the attached table, "Minimum Legal Drinking/Purchase Ages and Date of Last Legislative Change for the 50 States and D.C."

Eleven states have increased the legal drinking age since 1983, most recently Nebraska (to 21 years) and South Dakota (to 19 years). There is legislation pending in most of the "under-21" states to raise the drinking age.

The Board agrees that advertising for alcoholic beverages should not be designed to appeal to teenagers. We note that the distilled spirits industry voluntarily refrains from advertising its products on television, the medium most accessible to teenagers. Perhaps the brewing industry should consider similar voluntary action.

MINIMUM LEGAL DRINKING/PURCHASE AGES AND DATE OF LAST
LEGISLATIVE CHANGE FOR THE FIFTY STATES AND THE DISTRICT OF COLUMBIA

18	19	20	21	18/21
Hawaii (1972)	Alabama (1970)	Connecticut (1983)	Alaska (1983)	* Colorado (1945)
Louisiana (1948)	Arizona (1972)	Maine (1977)	Arkansas (1925)	** District of Columbia (1934)
Vermont (1971)	Florida (1980)	Massachusetts (1979)	California (1933)	* Kansas (1949)
	Georgia (1980)	New Hampshire (1979)	Delaware (1983)	** Mississippi (1966)
	Idaho (1972)	Rhode Island (1981)	Illinois (1980)	**** North Carolina (1983)
	Iowa (1978)		Indiana (1934)	**** Ohio (1982)
	Minnesota (1976)		Kentucky (1938)	*** South Carolina (1935)
	Montana (1979)		Maryland (1982)	**** South Dakota (1984)
	New York (1982)		Michigan (1978)	**** Virginia (1983)
	Tennessee (1979)		Missouri (1945)	
	Texas (1981)		### Nebraska (1984)	
	# West Virginia (1983)		Nevada (1933)	
	## Wisconsin (1983)		New Jersey (1983)	
	Wyoming (1973)		New Mexico (1934)	
			North Dakota (1936)	
			Oklahoma (1983)	
			Oregon (1933)	
			Pennsylvania (1935)	
			Utah (1935)	
			Washington (1934)	

* - 18 (3.2% Beer), 21 (over 3.2% Beer, Wine & Distilled Spirits)
** - 18 (Beer & Table Wine), 21 (Fortified Wine & Distilled Spirits)
*** - 18 (Beer & Wine), 21 (Distilled Spirits)
**** - 19 (Beer), 21 (Wine & Distilled Spirits)
\# - 19 (residents), 21 (non-residents)
- 19 effective July 1, 1984
- 21 effective July 1, 1985

March 15, 1984

RECREATIONAL BOATING

SENATOR ANDREWS: What actions has the Coast Guard taken in response to the Board's October 1983 safety study on alcohol in boating accidents?

ANSWER: The U.S. Coast Guard concurred on January 6, 1984 with all three safety recommendations issued from the Board's October 1983 safety study. The following recommendations and response are provided for the record:

Safety Board Recommendation M-83-069

Develop and implement a national program to address the hazards of alcohol use in recreational boating safety, including education and enforcement programs.

Status

The Coast Guard concurs with this recommendation. We have already taken steps to strengthen state courses in cooperation with the National Association of State Boating Law Administrators (NASBLA). The impact of boating safety courses is, however, limited by the relatively small number of boat operators who take them. We are encouraging greater participation in these courses through federal financial assistance. The National Safe Boating Council, Inc., composed of thirty-four U.S. and Canadian organizations with an interest in boating safety, will address the public at large on the risks involved in drinking and boating in its 1984 and 1985 Safe Boating Week campaigns. The theme is "THINK - Before you DRINK." We plan a Presidential proclamation to promote the 1984 campaign with active participation by Secretary Dole. The 1984 National Boating Education Seminar which draws these groups together will serve as a forum to emphasize the problem of alcohol and boating safety and encourage improvements to educational materials. The National Boating Safety Advisory Council will review the safety problems posed by boaters' use of alcohol and is also expected to propose new initiatives. This consideration should extend to other intoxicating substances as well.

Boating law enforcement is essentially a state function. NASBLA is drafting a model state act addressing boat operation while intoxicated. It should include:

- A specific prohibition against operating a boat while intoxicated;
- A physical standard defining legal intoxication;
- An "implied consent" provision requiring persons reasonably suspected of operating a boat while intoxicated to submit to a specified test for intoxication.

The Coast Guard will foster adoption of an agreed-upon model state act through its coordinating role under the Federal Boating Safety Act. Federal assistance funds will both encourage and enable state cooperation. We will be following the approach that allowed the National Highway Traffic Safety Administration to obtain nationwide adoption of a consistent intoxication standard.

Safety Board Recommendation M-83-070

In coordination with the National Association of State Boating Law Administrators, revise the boating accident

report form to include a specific accident causal entry for alcohol involvement in recreational boating accidents.

Status

The Coast Guard concurs with this recommendation. We also feel that we must go beyond changes to tne boating accident report form to achieve its intent (i.e., to improve our knowledge of the extent to which alcohol contributes to boating accidents). In all but nine states, boating accident report forms are usually initiated by the people involved in an accident, not by law enforcement officials. Experience has shown that such a reporting system will not produce valid data to indicate whether accidents were caused by alcohol consumption or other drug use. Neither federal nor state agencies have, or can reasonably expect to have, enough enforcement officers to investigate all boating accidents and prepare reports themselves. Further, we receive reports of only a small percentage of nonfatal boating accidents. These reports have recognized, but unquantifiable, biases which make their interpretation doubtful. We are exploring ways of promoting increased accident reporting with NASBLA. A joint review with NASBLA of the boating accident report form will be undertaken in the next three months. It will consider adding data elements dealing with alcohol, perhaps for use only in cases where the form is prepared/reviewed by law enforcement officials. It seems clear that statistically valid data on this subject cannot be obtained using a self-reporting system.

We can best serve the intent of this recommendation by focusing our attention on fatal accidents, all of which are investigated. We strongly concur with this intent, and will foster improved accident investigative procedures which will, among other things, make investigators more aware of the potential contributions of alcohol to accidents. Enactment of state laws allowing intoxication testing would provide some quantitative information on surviving passengers and operators of other vessels involved in an accident. However, even with improved investigatory procedures, it is doubtful that this would yield statistically valid information. Statistically useful information can be obtained by encouraging the states to establish the degree of alcohol involvement of fatal accident victims through suitable post-mortem tests. This information would be transmitted to the Coast Guard in suitably modified state accident investigation reports. The Coast Guard would promote state adoption of this standard, exercise control over report quality through Headquarters' review, and continue to refer exceptional cases to the states or local Coast Guard marine casualty investigators for additional investigation and substantiation. The training that the Coast Guard offers state enforcement personnel through its National Boating Safety course at Yorktown, Virginia would include material to promote uniform compliance with these practices. The result would be the best reasonably available information on alcohol involvement collected in the most effective manner.

Safety Board Recommendation M-83-071

Assist national recreational boating educational organizations including, but not limited to, the United States Coast Guard Auxiliary, the United States Power Squadrons, the American National Red Cross, the Boat Owners Association of the United States, the National Boating Federation, and the National Safe Boating Council, Inc., to develop and incorporate into their safe boating courses information regarding the hazards of alcohol use and its effects on recreational boat operators.

Status

The Coast Guard concurs with this recommendation. For example, the Coast Guard Auxiliary will incorporate information on the effects of alcohol with course material on hypothermia. We would like to be very aggressive in coordinating these interests, both through direct contact with these voluntary associations and through overarching organizations. We also intend to make this a priority subject for the award of financial assistance to national nonprofit public service organizations.

The Safety Board believes that the actions taken by the U.S. Coast Guard to date reflect positive steps to address a serious safety concern.

SENATOR ANDREWS: Is this problem better handled at the state or federal level?

ANSWER: The Safety Board reflects that approximately 33 percent of the accidents reported to the Coast Guard are exclusively on state waters. The other 67 percent are on joint federal-state waters. The Board has recommended to the Coast Guard the development and implementation of a national program to address the hazards of alcohol use in recreational boating safety. Since these are serious accidents on federal waters which states may not be in a position to respond or to investigate, we would believe that the Coast Guard should have some response level. However, the states will have to handle most of this effort.

MARINE ELECTRIC SINKING

SENATOR ANDREWS: Last year the bulk carrier MARINE ELECTRIC capsized and sank, killing 31 seamen. The Board issued its report recommending the Coast Guard improve liferaft systems, use of exposure suits, and vessel inspectors. What action has the Coast Guard undertaken in response to the Board's recommendations?

ANSWER: The Coast Guard agreed to correct the deficiencies in the liferaft design which prevented crewmembers from getting on board a liferaft. The Coast Guard has also agreed in most cases to implement our recommendation to require exposure suits for vessels operating in dangerously cold waters. However, they plan to exempt most vessels which are equipped with gravity davit launched covered lifeboats. We believe this should not be done because the MARINE ELECTRIC accident showed that even if the ship had been so equipped, the crew would still have been cast into the cold water without protection and the results would have been the same. The Coast Guard has also declined to require exposure suits for the crews of passenger vessels operating in cold waters.

The Coast Guard has not yet responded to our recommendation concerning guidance which should be provided to Coast Guard inspectors.

SENATOR ANDREWS: To what extent does the Coast Guard delegate investigative work to the American Bureau of Shipping? Is this of concern to the Board?

ANSWER: The Coast Guard has delegated to the American Bureau of Shipping certain structural and other inspections such as those associated with Load Line requirements which include the weathertightness of hatch covers. They have also delegated certain design review and approval functions. There are some risks in this process since proper oversight by the Coast Guard requires that its own personnel have the necessary technical expertise and experience. Such delegation, however, means that its own personnel will lose comparable expertise and experience and reduce their capabilities to monitor inspections and set standards.

AIRPORT DESIGN

SENATOR ANDREWS: What conclusions has the Board reached in its safety report on FAA's airport certification? Does FAA inconsistently apply certification standards? What hazards have resulted?

ANSWER: The airport certification and operations Safety Study contains several findings regarding the FAA's certification program. While airport certification has been partially responsible for the decreases observed since 1972 in rates of airport-related accidents, the Safety Board has found that the regulations in 14 CFR 139 and the FAA's guidance materials allow certification inspectors, who have varying experience and interests, to make subjective evaluations of an airport's operations. This results in the acceptance of nonstandard measures as demonstrating satisfactory compliance with the rules. The vagueness of some compliance criteria and regional variations in the application of these criteria have resulted in some study airports having far better methods than others for controlling ground vehicle operation and fuel dispensing and storage, assessing runway surface conditions, providing public protection and animal control, and exercising emergency plans.

The Safety Board found that certification inspectors tend to emphasize those aspects of the certification rules with which they are most familiar, based on their own professional experience or formal training. Specialized technical expertise, which has been regionally dispensed, is not used fully.

The Board found that hazards or potential hazards have been caused by this inconsistent application of certification rules. For example, inconsistent application of the certification rules on security has caused some study airports to be far more vulnerable than others to the entry of persons or animals in the air operations areas. Inconsistent regional emphasis with regard to fuel storage and dispensing has resulted in much better control of fueling operations at some study airports. (The significance of fueling operations was recently illustrated by a fatal accident near St. Louis, in which a DC-3 filled with the wrong fuel by an inexperienced fueler, lost power and crashed in a residential area.) The Board also observed that inconsistent regional emphasis on the conduct of full-scale exercises of airport emergency plans has resulted in some study airports being far better prepared than others to handle an emergency.

RAIL INVESTIGATIONS

SENATOR ANDREWS: Recently, the Amtrak Empire Builder was involved in an accident in Montana. What is the status of that investigation? Has the Board launched a larger investigation of the Amtrak system in view of the seeming increase in passenger rail accidents? What has the Board concluded about the sequential Amtrak incidents last August?

ANSWER: The Safety Board has just finished the initial field phase of its investigation of the Amtrak "Empire Builder" accident at Bainville, Montana on March 15, 1984. The Safety Board is performing additional tasks concerning the calibration of the locomotive's speed and event recorder and will be conducting additional inspections of several damaged coaches when they reach Amtrak's Beech Grove, Indiana repair facility.

The three Amtrak accidents which occurred during August 1983 were grade crossing accidents in which vehicles were struck and caused the trains to derail. The Amtrak "Eagle" derailed near Woodlawn, Texas on November 12, 1983 when a section of German made alloy steel being replaced by track maintenance forces, broke under the passage of the train. All these accidents appear to be episodic without any common causal elements, and thus the Board has not determined that it is necessary to launch a larger investigation of the Amtrak system at this time.

PROCESSING APPEALS

SENATOR ANDREWS: Why does the justification indicate that opinions and orders on legal appeals are to be completed within 120 days after receipt of the last brief? What is the Board's turnaround time now? Is the Board assigning more staff to accomplish this objective?

ANSWER: The purpose for the 120-day period for completion of opinions and orders by the Board's Office of General Counsel is to ensure that the appeals are processed with reasonable expedition but without any sacrifice in the legal quality of the opinions. In fact, the opinions and orders are being drafted well within the 120 days, with the average time for completion running closer to 60 days following receipt of the last brief. This timeliness objective is being accomplished with the current staff of five attorneys. Approximately 40 to 50 percent of the total man hours of the legal staff is devoted to drafting of opinions and orders and related matters.

POLICY AND DIRECTION

SENATOR ANDREWS: The Board requested of OMB an increase of two work years for policy and direction. What specific improvements in the Board's day-to-day operations and achievement of long-term objectives were to be realized by this increase? Conversely, what happens given the projected budget decrease?

ANSWER: The increased positions in the policy and direction section between the Board's OMB and Congressional budget submissions does not reflect an actual increase in staff. Based on the Congressionally directed level of 347 positions the Board has been actively recruiting to achieve this level. At this level the Board's policy and direction program would have 41 employees. This is the Board's current level for this program area and it has stayed relatively constant over the last two years. Therefore, at the 347 position level

there would be no change in staffing for this program and consequently no significant improvements in the Board's day-to-day operations in this area.

However, the funding level proposed for FY 1985 by OMB would necessitate a reduction in staff to about 320 employees. This reduction has been reflected evenly among the programs and for policy and direction would be about three positions. If attrition is used as a means to achieve this reduction it is unclear where the reduction in staff will occur. This in itself causes special imbalance problems within the Board's programs and specialized staff, especially where there may only be one or two staff to begin with.

Under a reduction-in-force situation where the Board would be able to select program cuts, the two most likely areas would be the administrative law judge appeals function and all discretionary aviation investigations of incidents, foreign accidents, and ultralights. Both of these reduction options are discussed in detail under previous questions.

TRAVEL

SENATOR ANDREWS: Provide for the record a travel cost comparison for FYs 1983 - 1984. Include a breakdown by mode, total for administrative travel, and total cost for international trips each year.

ANSWER: Since we did not capture travel costs by mode prior to FY 1984, we have included only the total travel cost for that year, otherwise, the information follows:

TRAVEL COSTS
($000)

	FY 1983 ACTUAL	FY 1984 ESTIMATE	FY 1985 ESTIMATE
Aviation		483	492
Railroad		117	119
Highway		66	67
Marine		57	58
Pipeline		41	42
Hazardous Materials		3	3
Intermodal		454	463
TOTAL	1,030	1,221	1,245
Total, Administrative	123	136	136
Total, International	38	42	42

GS-LEVEL

SENATOR ANDREWS: What is the average grade and salary for NTSB employees for FY 1983-85?

ANSWER: The grade and salary information is listed below:

	FY 1983	FY 1984	FY 1985
Average Grade	11.92	11.90	11.85
Average Salary	$38,058	$39,056	$39,390

STATUS OF RECOMMENDATIONS

SENATOR ANDREWS: Provide a summary of the status of Board recommendations, including the number currently open and closed in the past year, by mode.

ANSWER: Below is recommendation information for the past three years as a basis for comparison.

RATE OF ACCEPTANCE OF NTSB RECOMMENDATIONS TO REGULATORY AGENCIES BY MODE IN EACH YEAR

	1981				1982				1983			
	* NUMBER ISSUED IN CY	** PRESENT NUMBER CLOSED	*** RATE OF ACCEPTANCE (#	RATE)	* NUMBER ISSUED IN CY	** PRESENT NUMBER CLOSED	*** RATE OF ACCEPTANCE (#	RATE)	* NUMBER ISSUED IN CY	** PRESENT NUMBER CLOSED	*** RATE OF ACCEPTANCE (#	RATE)
AVIATION												
FAA	156	100	69	69%	173	104	82	79%	87	9	9	100%
OTHER FEDERAL	7	3	2	66%	1	1	1	100%	-	-	-	-
NON-FEDERAL	3	3	3	100%	10	3	3	100%	-	-	-	-
TOTAL	166	106	74	70%	184	108	86	80%	87	9	9	100%
HIGHWAY												
FHWA	28	10	8	80%	10	5	5	100%	8	-	-	-
NHTSA	10	1	1	100%	1	-	-	-	9	-	-	-
OTHER FEDERAL	18	2	2	100%	1	1	1	100%	6	-	-	-
NON-FEDERAL	36	17	12	70%	48	31	26	84%	45	-	-	-
TOTAL	92	30	23	77%	60	37	32	86%	68	-	-	-
RAILROAD												
FRA	12	2	-	-	6	5	3	60%	12	-	-	-
UMTA	19	6	5	83%	-	-	-	-	-	-	-	-
OTHER FEDERAL	8	3	1	33%	1	1	1	100%	5	-	-	-
NON-FEDERAL	83	49	37	75%	108	36	32	89%	85	12	12	100%
TOTAL	122	60	43	72%	115	42	36	86%	102	12	12	100%
MARINE												
USCG	45	16	10	62%	13	4	2	50%	44	-	-	-
MARAD	1	-	-	-	7	-	-	-	-	-	-	-
OTHER FEDERAL	20	7	5	71%	2	1	1	100%	2	-	-	-
NON-FEDERAL	28	15	15	100%	34	7	6	86%	48	7	7	100%
TOTAL	94	38	30	79%	56	12	9	75%	94	7	7	100%
PIPELINE												
RSPA	9	3	2	66%	3	2	2	100%	2	-	-	-
OTHER FEDERAL	-	-	-	-	-	-	-	-	-	-	-	-
NON-FEDERAL	46	31	20	64%	48	19	19	100%	28	8	8	100%
TOTAL	55	34	22	65%	51	21	21	100%	30	8	8	100%

* This column represents the total number of recommendations issued in the calendar year.

** This column represents the total number of recommendations that are closed at present of those issued in the specific calendar year.

*** This column represents the percentage of those evaluated as acceptable action of the total number closed for recommendations issued during the calendar year.

5-21-84

ACCIDENT REPORTS

SENATOR ANDREWS: Provide a comparison spanning FY 1980 - present of time between accidents and completion of Board investigations.

ANSWER: The average time between the occurrence of a major accident and the adoption of the Board's accident report containing its investigative conclusions is provided in the following table for fiscal years 1980 - 1984.

FISCAL YEAR	TIMELINESS (IN MONTHS)
1980	8.95
1981	7.68
1982	9.62
1983	9.34
1984*	9.00

*Estimate based on an employment level of 347 FTE.

STATUS OF EMERGENCY FUND

SENATOR ANDREWS: We understand the Board has not had to use the $1 million emergency fund in FY 1983. Are there any plans for expending these funds this fiscal year or in FY 1985? Under what circumstances would the Board resort to this funding source?

ANSWER: Currently, the Safety Board has no plans for expending any portion of the emergency fund during fiscal years 1984 or 1985. As directed by the Board's Appropriation Committees, this fund is to be used strictly for necessary accident investigation expenses, for which funding is not otherwise provided. Examples of emergencies in which the Board would use the Emergency Fund monies would be: 1) to fund an expensive major accident investigation occurring within the last months of the fiscal year when the Board would not have the flexibility to reprogram funds from other areas; and 2) to pay for unanticipated extraordinary accident investigation costs (exceeding $50,000) for a single accident investigation when the use of the Board's limited regular appropriation would cause significant disruptions in our other vital program areas.

The OMB has indicated that they would like the Board to use this emergency fund to circumvent the regular appropriations process, such as when an appropriation hiatus occurs at the beginning of a fiscal year In contrast the Attorney General used the Safety Board as an example of an agency which is essential and should continue to operate during a temporary absence of appropriations. Therefore, given the direction of this Committee and the Attorney General, the Safety Board believes using the emergency fund under a temporary appropriations hiatus would be inappropriate.

AVIATION ACCIDENTS

SENATOR ANDREWS: Provide for the record a calendar year 1983 summary of aviation accidents and fatalities (general, commuter and air taxi as well as major airlines).

ANSWER: The accident information requested follows.

TABLE 1

ACCIDENTS, FATALITIES, AND RATES
AIR CARRIERS AND GENERAL AVIATION
1983 (PRELIMINARY DATA)

	ACCIDENTS		FATALITIES	AIRCRAFT HOURS FLOWN	DEPARTURES	ACCIDENT RATES PER 100,000 AIRCRAFT HOURS		ACCIDENT RATES PER 100,000 DEPARTURES	
	TOTAL	FATAL				TOTAL	FATAL	TOTAL	FATAL
AIR CARRIERS									
Air Carriers Operating Under 14 CFR 121									
Scheduled	20	4	15	6,534,000	4,940,000	0.306	0.061	0.405	0.081
Nonscheduled	4	1	7	256,000	122,000	1.563	0.391	3.279	0.820
Air Carriers Operating Under 14 CFR 135									
Scheduled **	17	2	11	1,378,000	2,166,000	1.23	0.15	0.78	0.09
Nonscheduled	141	28	60	3,102,000	*	4.55	0.90	--	--
GENERAL AVIATION +	3091	548	1049	32,766,000	*	9.43	1.67	--	--

+ Includes accidents involving aircraft flown under rules other than 14 CFR 121 and 14 CFR 135.

* Data not avialable.

** Rates are based on all accidents, including those involving operators not reporting traffic data to the CAB. Exposure data estimate sources: CAB and FAA.

5-21-84

Questions Submitted by Senator Chiles

IS THE FUNDING LEVEL REQUESTED ADEQUATE TO DO THE JOB

SENATOR CHILES: The National Transportation Safety Board suffered a 27 percent staff reduction in fiscal years 1981 and 1982 compared to levels that existed prior to that time. These reductions pushed the agency to carefully examine what the minimum staffing level was that would still permit the agency to carry out its statutory responsibilities. That level was determined to be 347 positions and required restoration of approximately half of the reductions made in 1981 and 1982.

The Committee has therefore funded the agency at a level to permit funding of 347 positions. The Committee understands that OMB has established the 1985 employment ceiling at 333 positions but the funding requested is not adequate to fund 333 positions. At the requested level of $20,845,000 how many positions can be filled? Will a reduction in force be required to meet this lower level of employment? If yes, how many positions will be RIFed?

What statutory responsibilities will the agency be forced not to fulfill at a funding level of $20,845,000?

ANSWER: At the requested level of $20,845,000, we estimate that 320 positions can be filled. We intend to make every effort to avoid another reduction in force. Our experience with reductions in force during FY 1981 and 1982 convinced us that they are ruinous to agency morale, counterproductive from a management standpoint, disruptive of agency productivity in all programs -- not just those subject to the reduction in force, extremely time consuming of management and staff time, costly in the near term due to severance payments required, and destructive of meaningful manpower planning due to the loss of newest, lowest-graded employees -- not necessarily the least competent.

However, our only other alternative -- attempting to absorb the cuts through attrition -- creates equally difficult management problems resulting from the chance nature of the personnel losses. Vacancies are unlikely to occur in the lowest priority positions; because of the thinness of the Board's technical staffing, the loss of a single key position could impact an entire program area; and the uncertainty of the magnitude of attrition could result in inadequate numbers of staff and corresponding dollars being reduced in time to avoid a reduction in force anyway.

Thus, should a reduction in force become necessary, responsible management would dictate that the activities to be eliminated be identified on the basis of an assessment of their relative priority in support of transportation safety, as well as the maintenance of some modal balance in the Board's programs. The programs initially identified for elimination are: the conduct of investigations of aircraft incidents, ultralight accidents, and accidents occurring in foreign countries involving U.S. registered or manufactured aircraft; and the initial review of airman appeals of the revocation, denial or suspension of their certificates by administrative law judges. The potential effects of elimination of these programs are outlined below.

The Board's investigation of fatal and serious-injury ultralight accidents constitutes the only Federal safety oversight of this burgeoning transportation activity, in the absence of FAA safety regulation. As a result of the Board's past activity in this area,

the magnitude and rapidly increasing trend in fatal and serious-injury ultralight accidents was discovered, a number of structural problems with specific ultralight makes were identified and corrected, and Board leadership stimulated increased safety consciousness and coordinated safety efforts among manufacturers and pilot organizations.

In the absence of funding for incident investigations in the past, the Board might not have been able to investigate the series of incidents involving air carriers flying dangerously close to tall buildings in Rosslyn, Virginia, during approaches to Washington National Airport; the near collision between two Pan American flights off the coast of Florida on January 1, 1984 and while under the control of the Miami Air Route Traffic Control Center; and the loss of 3,000 feet in altitude following the emergency shutdown of both engines by a United Airlines B-767 over Denver as a result of contaminated fuel nozzles.

Elimination of the foreign accident investigation program would mean that Board investigators would not participate in some 50 investigations in foreign countries of accidents involving U.S. registered or manufactured aircraft. Such investigations not only offer the same accident prevention benefits as investigations of such accidents occurring in the United States, but they provide much needed product support to U.S. firms marketing aircraft products and services in the increasingly competitive international aviation industry, the current U.S. share of which constitutes one of this country's largest export commodities. The crash of a chartered Spantex DC-10 during an aborted take-off from Malaga, Spain, which killed 50 of the 384 persons on board and injured scores more, is an example of a major foreign investigation in which the Board might have to reduce or eliminate on-site participation in the future.

If a reduction in force of the Board's administrative law judges had to be carried out, the Members of the Board would have to assume the burden of holding the required evidentiary hearings on appeals from FAA denials, suspensions or revocations of certificates until the legislation requiring the Board to hold such hearings was modified to either transfer the function elsewhere, permit its assignment to other staff personnel, or eliminate it entirely. In the interim, it could be expected that substantial delays in adjudicating such cases would occur and a significant backlog in cases pending would develop, since Board Members would have to attempt to accommodate this additional workload into their already demanding schedules.

Should the attrition that would be required at a $20.8 million funding level occur ideally in time and in the identified program areas, the program impacts would be distributed as reflected in our budget submission to the Congress. Reductions would occur in almost all of our workload areas. The reductions in program outputs would result in growing backlogs of pending cases and corresponding decreases in the timeliness of their completion. In summary, whether the required staff and dollar reductions are absorbed through attrition or reductions in force, the overall result will be fewer reports, studies and recommendations and thus fewer and less timely safety accomplishments. We will not only not be able to do more with less, we will also not be able to do the same with less.

ADVOCACY FOR TRANSPORTATION SAFETY

SENATOR CHILES: The National Transportation Safety Board told the Committee last year of its advocacy efforts to get states to adopt laws requiring the use of child safety seats for children under the age of five and to get states to also adopt a drinking age of 21.

We continue to read about the aviation hazard created by the USA Today tower Building in Rosslyn, Virginia. NTSB has issued a recommendation on this matter which essentially urged the FAA to move the flight approach path to National Airport further to the east away from the USA Today building. The Committee understands that the FAA has responded to this NTSB recommendation.

Please describe for the Committee the accommodation that FAA has made to the NTSB recommendation on this matter. Has the flight path been moved further to the east?

ANSWER: The NTSB recommended that the FAA realign the inbound course of the present Localizer Directional Aid (LDA) instrument approach procedure to bring it closer to the Potomac River. The Board reasoned that the quickest and best way to enhance the safety of Runway 18 approaches would be to provide the benefits of an already installed LDA with its attendant glide slope, over a course that would take aircraft east of the high buildings and allow for descent to lower weather minimums. The present LDA provides glide slope guidance; however, that guidance is useable only down to 1100 feet at which point it is still about one-half mile northwest of the center of Rosslyn. When the aircraft descends to 1100 feet, and if the pilot has obtained the minimum visual required cues, he is required to guide his aircraft over to the river and then to the airport by visual means. It is ironic that the present LDA, although it provides vertical guidance, is not the primary instrument approach to Runway 18 at Washington National Airport. The VOR/DME Runway 18 instrument approach that provides no vertical guidance is authorized for flight down to 720 feet, almost 400 feet lower than the LDA minimums.

The FAA responded to our recommendation that they intended to continue the use of the present LDA approach as an environmental procedure because it provides both visual and instrument segments predominantly over the Potomac River. The FAA made an alternate offer of a second LDA, the inbound course of which would be coincident with the inbound course of the VOR/DME Runway 18 approach. This second LDA will provide vertical guidance down to a minimum descent altitude of 720 feet, an altitude that will be reached when aircraft are about one tenth of a mile past the USA Today building inbound to the runway. The FAA essentially complied with our recommendation; however, the Board requested the FAA to expedite the installation date. The FAA's original commissioning date of September 30, 1984 was two to three months shorter than the average installation time, but they are confident that the new LDA will be commissioned by August 2, 1984. The Board applauds the FAA's effort in this regard.

SENATOR CHILES: Is NTSB satisfied that the situation is safe and the potential for a catastrophic collision of an airplane with the USA tower no longer exists?

ANSWER: The Board believes that the second LDA and the visual descent point (VDP) now in effect on the VOR/DME approach procedure will provide safer approaches to Runway 18. However, the Safety Board is convinced that there is a problem with the minimum safe altitude warning system (MSAW) now in use at Washington National

Airport. We originally recommended that the FAA relocate the ARTS-3 radar antenna array to a site where it will provide a more reliable operation. The FAA has convinced us that the antenna location is not the culprit. Our investigation into the events of March 8, 1984 indicates that the problem may be either in the software module of the system, or it may be in the way warnings are reacted to by controllers. The FAA is cooperating fully in our ongoing investigation. We believe that an unreliable MSAW system is a serious gap in the redundancy that is so necessary to insure safety, especially to those aircraft descending in the final stages of the approach. We believe that the FAA should reevaluate the MSAW system at Washington National Airport.

SENATOR CHILES: As is generally known, Arland Towers, Inc. is planning to build a second tower of equal height and has attempted to gain permission to build a third building of equal height near the current USA Today Tower. Has NTSB used its "advocacy powers" to protest the building of these extremely tall buildings so close to an FAA flight path?

If not, why not? If so please submit copies of the letters or documents used in such protests to the Committee for inclusion in the hearing record.

ANSWER: The National Transportation Safety Board investigated the building at 1000 Wilson Boulevard and determined that it did not penetrate any imaginary planes in the FAA's criteria for airspace around the airport. We, therefore, concentrated on a means of keeping aircraft at or above the prescribed minimum descent altitudes until the building is passed.

AIRCRAFT CABIN FIRES

SENATOR CHILES: Your budget justification includes the following summary of progress on the problem of aircraft cabin fires following the Air Canada inflight fire which occurred on June 2, 1983:

> "In October 1983, two proposed rulemaking notices were issued by the FAA which would require additional emergency lighting and emergency escape path markings in air carrier airplanes and also would require the use of fire blocking technology for passenger seats within 3 years of the effective date of the proposed regulation. Additional requirements for smoke detectors in cargo compartments and fire extinguishers are expected to be issued by the FAA in 1984."

Please provide the Committee with a status report regarding the two proposed rules that have been issued and the additional actions now planned by FAA to address this problem. Also please provide the FAA timetable for these additional actions that remain.

ANSWER: On October 11, 1983 the FAA issued notices 83-14 and 83-15 concerning flammability requirements for aircraft seat cushions and floor proximity emergency escape path markings, respectively.

Notice 83-14 provides for new fire protection requirements of seat cushions three years after the effective date of the proposed regulations in aircraft that were type certificated after January 1, 1958. The public comment period of this notice closed on February 8, 1984. These comments are being reviewed and analyzed in the aircraft engineering division of the FAA at this time, and the proposed regulation will be revised accordingly. The FAA expects to issue a final rule in late 1984.

Notice 83-15 provides for new performance standards for floor proximity emergency escape path markings to provide visual guidance for emergency cabin evacuation when all sources of cabin lighting more than four feet above the aisle floor are totally obscured by smoke. The proposed regulation would affect aircraft that were type certificated after January 1, 1958, and would require compliance with the new standards within two years after the effective date of the proposed regulation. The proposed time frame of this notice is the same as that for notice 83-14, i.e. late 1984.

Additional actions planned by FAA and their timetable are as follows:

Cargo Compartment Liners. An NPRM, which was originally scheduled for release in late 1983, presently is under review at the Department of Transportation. The NPRM is scheduled for release in June 1984.

Halon Fire Extinguishers and Smoke Detectors. An NPRM, originally scheduled for release on November 19, 1983 is now scheduled for release by June 1984. The NPRM is under review at the Department of Transportation.

Anti-misting Kerosene. The FAA's project plan called for an NPRM to be developed by late 1984. However, a regulatory projection has not been established on this research item at this time.

Interior Materials. An NPRM presently is being drafted and is scheduled to be released by late 1984.

Crewmember Protective Breathing Equipment. An NPRM is in the drafting state but a scheduled release date has not been set.

SENATOR CHILES: Is NTSB satisfied that FAA is making satisfactory progress on this issue?

ANSWER: Not entirely. The NTSB has been urging the FAA for many years to approach the fire safety issue in a systematic manner. With significant additional research accomplished since the formulation of the SAFER group in 1979, the FAA appears to be moving in a positive direction. It is unfortunate that the Air Canada disaster had to occur to provide impetus to this safety issue. The Board will be satisfied when the current plans and NPRMs become regulations.

PROFESSIONAL EXPERTISE OF BOARD MEMBERS

SENATOR CHILES: Over 90 percent of the accident investigations conducted by the agency are aviation accidents. Mr. Donald Engen, who was recently nominated to be the next Administrator of the Federal Aviation Administration, clearly had an aviation background through his experience as a Piper Aircraft executive.

Do any of the current Board Members have aviation backgrounds and will such a background be an important criteria for filling Mr. Engen's seat?

If not, why not?

ANSWER: None of the current Board Members (except Member Engen) have an aviation background in the sense of holding pilot or other aviation certificates or licenses or having worked for extensive periods of time in the aviation industry. As you know, the Independent Safety Board Act requires that at least three of the Board Members have "technical qualification, professional standing, and demonstrated knowledge in the fields of accident reconstruction, safety engineering, human factors, transportation safety, or

transportation regulation." An aviation background is certainly another important area of experience which would be valuable to have represented among the Board Members.

PROACTIVE WORK

SENATOR CHILES: The Committee understands that NTSB expends less than 15 percent of its efforts on proactive studies and investigations, the results of which, if implemented, would actually help reduce transportation accidents. The great majority of NTSB work is focused on examining and evaluating accidents after they have happened.

How much of the 1983 request is for proactive studies and investigations?

What are the major subject areas to be investigated with this requested funding level?

What percentage of NTSB resources would ideally be spent on proactive work if funding was not significantly constrained?

What specific proactive work would the agency like to undertake if additional resources were available?

ANSWER: It is difficult to provide an accurate assessment of the percentage of Safety Board effort expended on proactive activities because we were forced to eliminate our comprehensive workload-manpower reporting system as a result of the FY 1982 budget cuts. Consequently, it is even more difficult to estimate this percentage in 1985.

At the 347 FTE level we estimate that approximately ten percent of the effort would be devoted to safety studies, recommendation follow-up, and safety objective advocacy, all of which are proactive activities. The following is the current listing of the potential safety studies and ongoing safety objectives:

POTENTIAL SAFETY STUDIES

Safety Briefings for Air Passengers
Air Carrier Overwater Emergencies
Airport Safety Issues, Including Problems of Small, Noncertificated Airports
Weather Detection and Reporting of Conditions at Airports
Effectiveness of Belt Restraint Systems in Small Cars
Improved Training and Licensing Procedures for Commercial Vehicle Driver
NHTSA Occupant Restraint Use Promotion Campaign
Highway Design and Safety Data
Statistical Review of Railroad Accident Data
Use of Water-Activated Emergency Position Indicating Radio Beacons (EPIRBs)
Fishing Vessel Safety
Small Communities' Response to Hazardous Materials Transportation Emergencies
Emergency Response and Rescue Operations for Major Transportation Accidents
Statistical Reviews of Aviation Accident Data

ONGOING SAFETY OBJECTIVES

General Aviation Crashworthiness
Cockpit Voice Recorders/Flight Data Recorders

Raising the Minimum Legal Drinking/Purchasing
Age for Alcoholic Beverages to 21
Infant and Child Passenger Protection (Motor Vehicle)
Wet Highway Pavement Skid Resistance
Crashworthiness of Railroad Hazardous Materials
Tank Cars
Alcohol and Drug Use by Railroad Employees
Rail Rapid Transit Safety
Pipeline Excess Flow Valves
Vessel Traffic Services

Another five percent would be devoted to the investigation of transportation incidents. Obviously, it is impossible to predict which incidents we would investigate, but historically we have selected those which offer the most potential safety payoff. For example, we have always given priority to mid-air near collisions and other air traffic control incidents.

At a 320 FTE level we most probably would be forced to eliminate our incident investigations and drastically reduce the other proactive activities.

Ideally, the Safety Board probably could justify spending 30-40 percent of its efforts on proactive activities. However, we would not recommend diluting our current efforts in investigating accidents. It is from this credibility base of identifying real world problems and realistic solutions that the Board has been able to command considerable influence in transportation safety, despite its small size. With additional resources for proactive activities the Board would:

1. Expand our incident investigation activity;
2. Complete the list of potential safety studies referred to earlier;
3. Place increased emphasis on minor accidents in which full human performance issues can be identified to prevent future, more catastrophic accidents;
4. More adequately fulfill our statutory mandate to evaluate the transportation safety consciousness and efficacy of other government agencies; and
5. Expand our recommendation followup and safety objective advocacy activities.

AIRCRAFT STANDARDS

SENATOR CHILES: During the series of stories written by the Wall Street Journal last year regarding former FAA Administrator Lynn Helms the difference between U.S. and British aircraft certification standard was discussed. One of the Wall Street Journal stories (12-14-83) essentially reported that while the Piper Aircraft plane, Cheyenne II, passed U.S. certification standards it failed British standards and was deficient in a number of important respects. In a recent law suit in Florida involving the crash of a Cheyenne II it was alleged that Piper knew of the safety hazards of the aircraft due to the British test but failed to correct them and was therefore libel. A number of other Cheyenne II crashes have occurred which further raises the issue of the adequacy of the U.S. aircraft certification standards. Has the NTSB evaluated the difference between the British and the U.S. certificate standards?

What are the significant differences?

Should the U.S. standards be further strengthened? If not, why not in view of the Cheyenne II incident?

ANSWER: The Safety Board has not found any particular deficiencies in the U.S. standards for longitudinal stability and control which were the standards at issue with regard to certification of the Piper Cheyenne airplane. A comparison of the U.S. and British standards for longitudinal stability and control that were applicable to the Cheyenne certification indicates that the British standards are less specific than the U.S. standards. As a result, the British CAA test pilots may have more latitude than FAA test pilots to evaluate the quality of the longitudinal stability and control characteristics of an airplane based on subjective observations rather than more objective criteria.

The Safety Board's investigation of the Piper Cheyenne accident that occurred at Bressler, Pennsylvania on February 24, 1977 included contracting with the Calspan Corporation of Buffalo, New York for a comprehensive flight test program to evaluate the Cheyenne's longitudinal stability characteristics. These tests disclosed that the airplane's longitudinal handling qualities deteriorated with a rearward location of the center of gravity. While the stability characteristics were not unsafe at the aft center of gravity limits, the handling qualitiies of the airplane were not satisfactory if the center of gravity was aft of the aft limits. Consequently, it is very important that the airplane be loaded so that the center of gravity falls within the limits prescribed by the manufacturer.

The Safety Board does not see any particular need for more stringent U.S. certification standards. The Board believes that the FAA has the latitude to refuse certification based on their evaluation of any potentially unsafe airplane characteristics.

SUBCOMMITTEE RECESS

Senator ANDREWS. I appreciate you being here today.

The subcommittee will adjourn until Tuesday, March 27 at 10 a.m., when we will hear the Federal Railroad Administration.

Mr. BURNETT. Thank you, Mr. Chairman.

[Whereupon, at 2:50 p.m., Monday, March 26, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, March 27.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, MARCH 27, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:15 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Chiles.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF JOHN H. RILEY, ADMINISTRATOR

ACCOMPANIED BY LOUIS S. THOMPSON, ACTING ASSOCIATE ADMINISTRATOR FOR PASSENGER AND FREIGHT SERVICE

INTRODUCTION OF WITNESSES

Senator ANDREWS. The subcommittee will come to order.

The hearing this morning will deal with the Federal Railroad Administration (FRA) and the National Railroad Passenger Corporation (Amtrak).

Coming from the Federal Railroad Administration, John Riley, the Administrator—welcome back—followed by a whole host of spear-carriers and other assorted information-bearers; Graham Claytor from the National Railroad Passenger Corporation, followed by a much slimmer group, which is either testimony to the fact that you have learned your job well, or to the fact that you are keeping your budget well under control. I do not know which, but I am sure that it deserves some mention and approbation.

Good to have you here. I understand that the Administrator is going to go first. Proceed.

Mr. RILEY. Thank you, Senator.

Senator ANDREWS. Let me assure you that your testimony will appear in the record as though you have uttered every word of it. You may summarize it in any way you wish.

STATEMENT OF MR. RILEY

Mr. RILEY. Thank you very much, Senator. It is always a pleasure to be here, but particularly to appear at the same table with Graham. I know I do not have to restate for this committee the magnitude of Graham Claytor's accomplishments at Amtrak. They speak for themselves.

One thing I will say, though, because it provides a good bottom line to those accomplishments, is that in fiscal year 1985, Amtrak will be running more miles and more passenger miles of service than it ran in 1980 at about a 28-percent lower subsidy. That is a dramatic performance; it says a lot about what Graham has been able to accomplish, and I personally think that Amtrak's best performance is yet ahead of them.

Senator, I will not take the time of this committee by reading large reams of numbers into the record. We have submitted our testimony——

Senator ANDREWS. I felt sure that you would not.

Mr. RILEY. I understood that was the committee's intent.

RAILROAD SAFETY

What I will do is give you a very brief summary of what you are buying. In my personal view, safety has been and always will be the primary emphasis of the Federal Railroad Administration. Now, what you buy from us is a threefold approach to safety. One is regulatory; one is enforcement; one is research and development.

In the regulatory sense we have, since January 1, closed seven major regulatory proceedings at FRA ranging from the retrofitting of 3,000 hazardous material tank cars down to some regulatory relief for the Nation's smaller railroads.

We will, in addition, close the last outstanding major petition—alcohol and drugs—some time this week. I will send the papers out of FRA to the Department's General Counsel.

In the year ahead, we are going to proceed into two major areas. One is the issue of safety of railroad employees in locomotive cabs, which I think is a significant issue. The inspection of that issue has been long overdue. Second, we are going to address the largest single cause of deaths in the railroad industry, and that is grade crossing accidents, through a variety of mechanisms. That will be the emphasis of our safety program this year.

We will, in addition, seek to find additional areas where we can grant reporting of regulatory relief to smaller railroads to help them remain competitive.

On the enforcement side of the ledger, the best news I can give the committee is that we are no longer 30 to 50 a year short on our safety inspector allocations. We have 321 inspectors on board today out of an allocation of 325. That is by far the highest number that FRA has ever had. We are 4 below our ceiling, and I do expect to hit our ceiling sometime within the month of May.

Why were we always 30 to 40 shy? There are a variety of technical problems that come both within the civil service hiring system and the rapid turnover that you get in those positions. We have made some management initiatives to change the hiring practices, and they have enabled us to get very close to our ceiling. We have 30 more inspectors than we had a year ago.

Now, what I would like to improve is the speed with which the FRA acts on reports and violations. When I arrived in November, we were averaging about 168 days to process a violation. Now, there are some reasons for that. Each violation is a minilawsuit. We have to make sure it would stand up in a quasi-judicial proceeding. Nevertheless, that is too long. We have been able to reduce that as of today down to 114 days. We need to go lower, though. I still do not believe that it is adequate, but I think the major reason is that the same people who do the regulatory proceedings do the violations of enforcement, and by getting through a large backlog of regulatory proceedings, you simply freed up their time.

Finally, in research and development, I do believe there is a continuing role for this agency in safety research and development. It takes two formats. First, there are areas of research where there is simply no economic return; they are purely safety related. The private sector does not have the incentive to perform that kind of research. That is a proper governmental role. Second, when we do a variety of rulemaking proceedings, like the tank car retrofit, we are often presented with research done by the industry or by labor or by shippers, and as a public interest agency, we cannot simply accept that research carte blanche. We have to do corroborative research for safety, and we will continue to do that.

We will, to the extent that any of these projects grant collaborative economic benefits to industry that are purely economic, we will seek cost sharing as we have done under the wheels research program. And that is the direction that we intend to pursue in research and development.

RESTRUCTURING ISSUES

Outside of safety, we believe that railroad restructuring issues, the issues that bring us before the ICC with our opinions, the issues of planning, structure, mergers, abandonments, are a key part of FRA's role.

We have consolidated the Northeast Corridor Division within FRA and several other small divisions into a new division that deals solely with service issues. And this morning, at my left, is Lou Thompson, who is acting head of that division, and who will be appointed head of it as soon as the paperwork is cleared—Lou has joined me today.

What we have attempted to do, Senator, is to elevate the importance of service issues within the Federal Railroad Administration by setting up a division responsible for passenger and freight service issues. While there are many things I could say about it, the one I want to bring to the committee's attention is that we have set up a small task force

within that division to provide logistical assistance to shippers on light density lines that are faced with abandonments, to go out and show these people how to cost out their options, help them through the logistics of transition, try to preserve service wherever we can in the Nation's light density areas—as in your State and mine.

These are the major projects we are working on. There are also the special projects that the committee is well apprised of. I have been up here to talk about Conrail within the last 2 weeks, so the committee is up-to-date on that. The progress of the Alaska Railroad transfer is very much on course. We do expect to have the Alaska Railroad transfer completed by the statutory deadline of July 15 of this year.

UNION STATION

So far Union Station has gone just about as smoothly as the Alaska Railroad transfer. We are completing this year, ahead of schedule and under budget. We are in the final stage of developer and architectural selection, and we will be doing the groundbreaking on Wednesday for the completion of the garage—the city's portion of the project. The city is sponsoring a groundbreaking to mark the beginning of the final construction phase on the garage.

We have also initiated an extensive program of short-term repairs within the station to prevent further deterioration.

FRA RESOURCES

Finally, Senator, in kind of an underview to the entire process at FRA, one great asset that we have in this agency is people. Those people have ideas, expertise, and knowledge. We exist in an era when the force of a major Federal budget deficit requires every agency to be more cost conscious than it has ever been, and to determine how it can best serve the public with limited financial resources.

Where we have dollars, we will continue to be bankers of dollars. Where we do not have dollars, we will strike to be bankers of ideas and bankers of expertise, problem solvers, to be thought leaders, to be catalysts of public and private effort, to solve issues that affect all of us who depend on the railroad industry.

Senator, that is a brief overview of what we are asking the committee to buy when we submit our budget. I appreciate the opportunity to come before the committee today, and I will yield to Mr. Claytor for his opening statement on Amtrak. It has been a pleasure to work with both the committee and Amtrak.

PREPARED STATEMENT

Senator ANDREWS. Thank you, Mr. Administrator. We will insert your complete statement in the record at this point.

[The statement follows:]

STATEMENT OF JOHN H. RILEY

Mr. Chairman. I appreciate the opportunity to appear before this Committee in support of the Federal Railroad Administration's FY 1985 budget request. And it is a particular pleasure to share this table with Graham Claytor. There is nothing I could say that would add to the luster of Graham's accomplishments -- they speak pretty eloquently for themselves. But I do want to give special recognition to the fact that Amtrak in 1985 will run more route miles than it did in 1981 at approximately 28 percent lower funding. Those numbers say a great deal about Graham, and a great deal about the progress being made at Amtrak. And I think what we've seen is only the beginning.

Before reviewing the specifics of FRA's budget request, I would like to make a brief opening comment on FRA's recent activities, as well as our priorities for the next fiscal year.

FRA PRIORITIES

While FRA has numerous ongoing responsibilities, railroad safety and railroad restructuring are our primary concerns. And the agency's FY 1985 budget request reflects those priorities.

Four weeks ago I had the privilege of announcing the industry's safety statistics for 1983. By any standard, it was the finest safety performance in the history of the railroad industry. The total number of reported accidents was the lowest ever recorded -- a remarkable 14 percent below the second best year we've ever experienced. That improvement tracks through all categories of the reported statistics.

These results continue a trend of consistent safety improvements that began in 1979. During the five years 1979 to 1983, train accidents decreased 60 percent; railroad fatalities declined 25 percent and railroad injuries dropped 53 percent. During that same time period, grade crossing accidents decreased 43 percent, and resulting fatalities and injuries declined by 35 and 40 percent, respectively.

These numbers speak for themselves, and they give us an impressive standard to best in the year ahead. They also speak persuasively for the public safety commitment of the industry, for the care and dedication of railroad employees, and, I believe, for the increasing effectiveness of the FRA safety program.

FRA approaches safety from two perspectives, that of a regulator, and that of an agency charged with enforcing its regulations. In addition, we carry on a research and development program focused solely on safety issues.

On the regulatory front, FRA has succeeded in closing seven major and two minor regulatory proceedings since January 1. Included in that list is a rule requiring retrofit of 3,000 hazardous material tank cars to improve their ability to survive accidents, the first modernization of the industry's signal and train control rule in more than three decades, and several actions to ease reporting requirements for smaller, short line railroads. This exceeds the total number of regulatory actions ever closed by FRA in any single preceding year. In addition to the accomplishments resulting directly from the particular rulemakings, eliminating this backlog has freed our safety enforcement staff to pursue violations and more rigorously enforce existing standards. As the regulatory backlog has eased, the time it takes to process violations has been reduced by nearly 32 percent.

In the months ahead, FRA will complete its rulemaking proceeding on alcohol and drug abuse, initiate an inquiry and possible rulemaking on occupational safety in railroad locomotive cabs, and institute a major effort on grade crossing safety.

Our greatest accomplishment on the enforcement side lies in the hiring of new safety inspectors. FRA has traditionally been between 30 and 50 inspectors short of the ceilings imposed by this Committee. There are several reasons for this, including high turnover in the inspector work force. In November, we instituted a variety of management initiatives designed to surmount these obstacles, and those changes have accomplished their objective. The FRA field force now

consists of 321 safety inspectors against an authorized ceiling of 325, along with 46 clerical positions against an authorized ceiling of 54. This is by far the highest number of safety inspectors FRA has ever had -- 30 more inspectors than we had a year ago at this time. We intend to fill the 4 remaining inspector vacancies within the next 60 days, so that by early summer FRA's inspection force will be at full strength for the first time in its history.

During calendar year 1983 that inspection force made 66,400 inspections of track, signals, vehicles, and other elements of railroad operations, a 31 percent increase over 1982. In addition, the inspectors continued to supplement those ongoing inspections with systemwide assessments of selected railroads. Seven such assessments will be begun or completed this calendar year. Our FY 1983 civil penalty collections of $2.4 million were the highest since 1980.

I believe that this combination of actions has played a material role in the continued improvement in rail safety statistics. The budget request now before this Committee will enable us to continue and accelerate our railroad safety activities, and hopefully, continue the downward trend in rail accident statistics.

Our other major area of emphasis is rail restructuring, and that's a reflection of the historic changes now taking place in the railroad industry. Some of those changes occur on a macro scale -- large regional mergers, the Conrail and Alaska Railroad sales, and intermodal acquisitions. FRA's policy office has played a significant role in analyzing the economic impact of these changes, and assisting the agency in formulating policies designed to protect the public interest within the context of an industry evolving toward greater efficiency.

But not all the changes are on a macro scale. The real "action" in the rail industry today is coming underneath the umbrella of large regional mergers, as short lines and new regional railroads spring up to restore service on the lines being abandoned by the evolving regional carriers. The Chairman has seen these activities in his state, as I have in my home state of Minnesota. We know that the same

rail line can have completely different economics in the setting of different rail systems. There are countless cases across the nation illustrating the ability of small railroads and shipper groups to operate profitable short lines on routes that did not work within the context of major systems.

We all have a stake in their success. For shippers, particularly agricultural shippers, and their communities, it means continued access to the national transportation system at reasonable rates. For the major carriers, it means enhanced volume on regional main lines. Conrail, for example, draws nearly 5 percent of its volume from short line operations.

We have made several changes at FRA to adapt to these changing needs. First, we have merged the Northeast Corridor and Federal Assistance staffs into a single Associate Administration for Passenger and Freight Services. The prime objective of this office is preservation and enhancement of service to communities served by America's freight and passenger railroads.

Within this new division, we have created a small "strike force" to help shippers and communities deal with the impact of light density line abandonments. The people who will perform this responsibility will be experts in shippers economics. They analyze line abandonments, and advise shippers on how to cost out their options. Where continued rail service appears to be a viable option, they will work with shippers to help them marshall their own resources to make rehabilitation and continued service agreements a possibility. Finally, where the economics seem to favor short line operations, they will provide logistical assistance in the creation of short lines.

In many of the cases where railroads apply for Federal financial assistance, the potential for private financing is present. Shippers, faced with the short timelines inherent in the abandonment process, simply lack the expertise to assemble the package in time. By providing that expertise, we believe we can lessen the demand for scarce Federal resources. In addition, we recognize that the presence

of deficits exceeding $170 billion will compel Congress to make difficult financial decisions. Agencies such as ours have to creatively evaluate what role they can play to forward the public interest in matters of this sort in an era of shrinking financial resources. Where we cannot be bankers of dollars, we can be bankers of ideas. And the experience and expertise embodied in those ideas can play a significant role in helping rural communities survive and prosper through the kinds of transitions now taking place in our national transportation system.

These are the two major priorities I see FRA facing in the fiscal years ahead. In addition, as this Committee well knows, we are dealing with three special projects of national significance.

First in its magnitude is the responsibility to return Conrail to private sector ownership. There have been no major developments on Conrail since I last testified before this Committee. We are encouraged by the continued improvement reflected in Conrail's profitability numbers, and have every reason to believe that we will be successful in our efforts to sell Conrail as an entity.

FRA has made substantial progress over the past 12 months in assisting the Secretary's efforts to transfer the Alaska Railroad to the State of Alaska. In January 1983, the Alaska Railroad Transfer Act was signed into law. In July, the Department and the State of Alaska submitted to Congress a joint report itemizing the assets and liabilities to be transferred. In September 1983, the United States Railway Association (USRA) set the fair market value of those assets at $22,271,000. And last month, the Governor of Alaska submitted legislation authorizing and implementing the transfer to the Alaska legislature.

FRA is working closely with the Governor and other Alaskan officials to resolve the remaining issues associated with the transfer, and I am confident that the transfer agreement will be executed during the current fiscal year. Transfer of assets will occur no later than six months after the execution of that agreement.

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Developments on the Union Station Redevelopment project are equally positive -- it remains on schedule and under budget. In fact, tomorrow afternoon I will join Secretary Dole and Mayor Barry in breaking ground for completion of the station's parking garage complex. That ceremony is one of the more visible highlights in a very active year for this project. During the past year, we have created the Union Station Redevelopment Corporation to manage the redevelopment project and hired Keith Kelly, a superbly qualified, experienced developer, as its Executive Director-President. Repairs are now being made to the building to keep it from deteriorating further while the rehabilitation is being designed. The National Park Service is completing repair of the roof. We are also well along with competitions to select an architect to design the rehabilitation for USRC and a developer. Ten teams of architect/engineer firms and three developer teams are now developing detailed proposals that, together with intensive interviews, will be the basis for selecting the winning teams. We expect to make both selections this June.

These are the major issues before the Federal Railroad Administration, and while our most significant accomplishments often come in the day to day processing of routine business, these major issues should give the Committee a good understanding of the priorities we intend to pursue in the fiscal year ahead. I will now proceed to review the budget request we have offered in support of those objectives. In the aggregate, it calls for funding of $756,752,000 and 679 permanent positions, excluding the Alaska Railroad.

AMTRAK

The Administration's request for FY 1985 Amtrak funding totals $680 million, $36.4 million lower than the $716.4 million appropriated for FY 1984. Graham Claytor and I have met several times during the past year to discuss our respective budget proposals, and in their concept our proposals track closely. At the time it was submitted, our request for $664 million in operating grants reflected a consensus with Amtrak management on the cost of operating the complete national system, including state assisted routes, in FY 1985. Since that

request was filed, Amtrak's performance has so far outstripped even its best case projections that the operating number has been reduced to $659 million.

Amtrak has submitted a capital spending program to Congress of $121 million for FY 1985. The Administration recommends a level of $101 million. In addition, we note that Amtrak will be undertaking approximately $20 million in high priority NEC improvements which were financed under the 1983 Jobs Bill. When the President agreed to support a Jobs Bill last year, he made it clear that the 1983 appropriation increase would be offset against new funding requests in subsequent periods. In Amtrak's case, the FY 1985 offset amounts to $20 million.

Unused operating carryover and unused capital grant funding account for an additional $24 million of offsets, producing a difference between Amtrak's and the Administration's capital requests, and bringing to $44 million the bottom line difference between the two requests. These three offsets are summarized below:

A. The Jobs Bill (P.L. 98-8) provided $70 million for Northeast Corridor improvements, some of which had been included in previous Amtrak capital plans. Examples include more than $6 million for electric traction work in the New York area, more than $40 million of track work throughout the Corridor, and approximately $6 million of bridge work. We offset $20 million from the FY 1985 capital request to account for those Northeast Corridor improvements funded by the Jobs Bill.

B. $20 million represents the difference between our estimate of available operating carryover from prior years and Amtrak's estimate. Of the $47 million of total operating carryover, Amtrak has set aside $20 million for the West Side Connection project and applied $27 million against their capital plan. We are recommending that the full amount be applied.

C. Between 1978 and 1982, Amtrak received $116 million in capital funds toward the purchase of the Northeast Corridor. The purchase of the Corridor has been completed at a cost of $112

million, leaving $4 million unspent. FRA has offset that $4 million against the FY 1985 appropriation.

The Department is also considering legislation to phase-in greater cost sharing by states under the Section 403(b) and (d) programs. However, this change has no FY 1985 budgetary implications, since it would not become effective until FY 1986 in order to give state legislatures sufficient time to adjust their spending plans to the new proposal.

OFFICE OF THE ADMINISTRATOR

At a $11,051,000 and 168 permanent positions, the Office of the Administrator appropriation request is $629,000 and a net three positions lower than FY 1984. The reductions come in the Policy Support area for contractual services and staffing. The dollar reductions result primarily from savings and computer time sharing costs. Seven positions will be eliminated in areas where analyses performed by individuals can be automated. Elimination will come through attrition and reassignment.

Partially offsetting these positions are four positions transferred from Federal Programs in the Rail Service Assistance appropriation. These individuals are responsible for Conrail economic analysis. We have simply shifted them into the Office of Policy, which has the broader oversight responsibility for Conrail.

The staffing levels incorporated in this request will enable FRA to maintain current staffing levels in the Office of Chief Counsel. This is particularly important at a time when FRA is expanding the number of System Safety Assessments and onsite safety inspections performed. The Office of Chief Counsel processes and prosecutes violations, while serving FRA on a broad range of other legal issues. This appropriation request insures a staffing level within the Office of Chief Counsel adequate to discharge those responsibilities, while continuing to play an important role in analytical areas such as merger analysis.

This request will also permit FRA's Office of Policy to maintain its critical role in areas ranging from Conrail analysis to development of the analytical basis for FRA's rail restructuring activities. The Office of Policy is involved directly or indirectly in every activity undertaken at FRA. It is the cornerstone of the agency's efforts in railroad restructuring, particularly in the analysis of merger and acquisition cases, as well as FRA's ongoing review on the impact of deregulation. The appropriation we are seeking will enable the Office of Policy to continue fulfilling those responsibilities in a timely and effective manner.

RAILROAD SAFETY AND RAILROAD RESEARCH AND DEVELOPMENT

FRA's goals and progress in safety enforcement were outlined earlier in this testimony. Four of the five goals established when FRA initiated its five year system safety plan two years ago have already been met or exceeded. To continue that progress, FRA's railroad safety appropriation requests $26,691,000 and 443 permanent positions. These levels of staffing will permit implementation of the new regulatory initiatives undertaken in the current fiscal year, and continued acceleration of the agency's field enforcement efforts. This is approximately the same level of support at the FY 1984 request with the exception of Grants-in-aid.

The Administration is not requesting funding for the Grants-in-aid for railroad safety program for the reasons outlined in our letter/report to Senator Hatfield dated February 7, 1984. Rather than taking the Committee's time to restate the points raised in that report, I am attaching a copy of the original as an appendix to this testimony.

The request for $15,653,000 and 15 permanent positions in railroad research and development supports the railroad safety effort by providing the technical and analytical base necessary to support our rulemaking and enforcement activities. Research and development is an integral part of our safety program, and the dollars requested will go to safety research. Where that research yields a collateral economic

benefit for industry, we will require industry to bear a share of project expenses. The overheated wheel research program, recently initiated through joint venture between FRA and the Association of American Railroads, is an example of the kind of cost sharing FRA intends to pursue in order to gain maximum productivity from dollars available for safety research and development.

RAIL SERVICE ASSISTANCE

The Rail Service Assistance appropriation contains staffing for the Executive Director and a number of Federal programs including Rail Freight Assistance, State Assistance, Rail Passenger Programs and Special Projects. It provides funding support for the salaries and expenses of program managers plus contract dollars for the labor-management cooperative terminal projects, alcohol and drug abuse technical assistance, and freight assistance. It also finances the rent, security, and maintenance costs of the Washington Union Station.

The request for $8,357,000 and 44 permanent positions includes $4,107,000 for salaries and contract support and $4,250,000 for Washington Union Station. The salaries cost represents a reduction of $1.1 million from FY 1984 reflecting seven fewer positions, four of which are Conrail positions transferred to Policy Support in the Office of the Administrator appropriation, and three fewer positions in Federal Programs due to the reduction in Title V workload. The remaining staff will monitor work in progress and serve as a "strike force" to work with states, localities, and shippers in addressing the financial and transportation policy problems that accompany light density line abandonments.

The request for Washington Union Station rent, security, and maintenance funds is $4,250,000; this is an increase of $410,000 over the FY 1984 appropriation. During FY 1984, an unanticipated increase in the cost of security pushed these expenditures to $4,200,000. With the Department's concurrence, during FY 1984 we propose to reprogram available funds within this account for this purpose. These costs will

continue in FY 1985 at approximately the same levels plus a slight estimated increase expected for utilities while renovations continue.

CONRAIL LABOR PROTECTION

We are asking for a FY 1984 supplemental appropriation of $25 million, of which we propose to derive $15 million by transferring unobligated balances of the Conrail Work Force Reduction (Section 702) funds. These funds will supplement $20 million previously appropriated in FY 1984 and will be used to cover higher than expected payments started in FY 1983 which resulted from the recession's impact on Conrail employment. I am also requesting an additional $15 million in FY 1985 for benefit payments to Conrail employees who may elect such treatment as a result of operating changes. This amount reflects a decrease from FY 1984 levels due to our view that Conrail's employment has stabilized with a pickup in its business and the fact that more employees are reaching their cumulative maximum payout.

NORTHEAST CORRIDOR IMPROVEMENT PROGRAM

I am not requesting funds in FY 1985 for this program. Congress has appropriated the full $2.19 billion in accord with the Administration's rehabilitation plan. Seven FRA positions and seven Federal Highway Administration engineering support positions will suffice to monitor the work to be accomplished in FY 1985 using carryover funds. As planned, at the beginning of FY 1986, the responsibility for completion of the project will be turned over to Amtrak.

Most of the work programmed for FY 1985 falls into two categories:

1) the completion of large station and parking garage projects where construction is managed by state or local authorities, such as Stamford and New Haven, Connecticut; Providence, Rhode Island; Boston's South Station; and the Wilmington (Delaware) Station Parking Garage; and
2) completion of work undertaken by Amtrak on catenary installation, signal system installation, and bridges.

Completing the Northeast Corridor Improvement Project will be a significant achievement. It has involved a large number of people, and numerous organizations including state and local governments, all working toward a common goal of improving rail service along the busiest rail corridor in this country. Graham Claytor and the Amtrak employees assigned to the project as well as our Associate Administrator, Lou Thompson, and his staff deserve a great deal of credit for successfully guiding this huge project and giving new life to rail transportation between Washington and Boston.

FY 1984 SUPPLEMENTALS

The final item in my request covers five supplemental appropriation requests for FY 1984. I have already addressed the Conrail Labor Protection supplemental request earlier in my statement. The remaining four supplementals are required to settle obligations to the Department of the Treasury:

- Approximately $1.1 billion is sought to liquidate borrowing authority resulting from the Department's payment of defaulted principal and interest on behalf of Amtrak, and

- $300 million is the result of valuation settlements concerning properties transferred to Conrail, together with

- $5.7 million in Rail Service Assistance and $.7 million in Railroad Rehabilitation and Improvement Financing Fund to liquidate borrowing authority, and

- $125.7 million in interest owed to Treasury on the above money borrowed as estimated through August 31, 1984.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions the Subcommittee may have.

LETTER FROM JOHN H. RILEY

The Honorable Mark O. Hatfield
United States Senate
Washington, D.C. 20510

FEB 7 1984

Dear Senator Hatfield:

The Senate Report (No. 98-179) accompanying the Department of Transportation and Related Agencies Appropriations Act, 1984 (P.L. 98-78) instructs the Department to provide the Appropriations Committee with a plan for transfer of full fiscal responsibility for the Railroad Safety State Participation Program ("Program") to the states. The Report directs that the transfer occur in such a way as not to require an increase of Federal inspectors or to jeopardize state safety programs. The Department believes that these are achievable goals, and the Federal Railroad Administration has been delegated the responsibility for response to the Committee's request. This letter constitutes the Department's plan for Program transfer.

Rail safety is FRA's top priority, and we believe that the Federal inspection force authorized for the agency is equal to the challenge. We have encountered some difficulty in past years because the confluence of normal turnover with the procedural requirements that must precede inspector hirings rendered it difficult to match on-board strength with authorized numbers. At times, the number of inspectors on board has been 30 to 50 shy of authorized limits. I am pleased to report, however, that through the implementation of several management initiatives FRA has been able to substantially decrease this vacancy gap by increasing on-board strength. With the present authorization of 325 Federal Railroad safety inspectors, FRA has 310 currently on board as of January 16, 1984, and we should come very close to bridging this remaining gap by the end of this year. We believe there is a good balance between these numbers and the agency's needs.

The State Participation Program was established in 1970 to provide states with an incentive to participate in the FRA safety enforcement program. With the 1982 statutory expansion, state inspectors are now authorized to work in all inspection disciplines except hazardous materials. During 1983, 30 states employed 96 inspectors. At the present time, 32 states have requested funding to employ 102 inspectors to complement the Federal force. The enclosure lists the states in the Fiscal Year 1983 Program, the number and discipline of their inspectors, the level of Federal funds provided each state, and the new states applying for the first time in Fiscal Year 1984. One state, Rhode Island, elected to terminate its participation following Fiscal Year 1983.

FRA is not proposing to terminate the program. We will continue to broaden the responsibilities assigned state inspectors, and we will continue training them at the Transportation Safety Institute in Oklahoma City, Oklahoma. But given the maturity achieved by the state programs over the past fourteen years, and the limited resources now available to the agency, we believe that the soundest policy course is for the states to assume full responsibility for the salaries and related costs of their inspectors.

The issue is essentially one of cost-effectiveness. If all of the 102 state inspectors exist solely by virtue of the Federal cost sharing, the Federal dollars spent reflect a solid cost-benefit ratio. Conversely, if most or all of these

positions would remain in place without Federal assistance, the cost-benefit ratio turns sharply negative. While predicting the future is always an approximate science, we believe the evidence strongly supports the latter conclusion--both as to negative cost-benefit, and the likelihood that most or all of these positions would be retained. The following factors bear on that judgement.

1. Thirteen of the participating states had established state inspection forces prior to the initiation of the program in 1970. In these instances, the program simply subsidized an existing activity, and there is no reason to believe that these states would abandon their programs should the Federal subsidies be discontinued.

2. The costs shifted back to the states are far too small to constitute a singular reason for either abolishing or continuing the program. To illustrate, if Federal funds had been absent in Fiscal Year 1983, the increased cost for the average state would have been $80,000 and half the states would have incurred less than $60,000 in additional costs. The highest cost increase for any state would have been $203,000. These are not excessive cost shifts, and if the state inspection programs do provide public benefits, these costs are not likely to provide a compelling reason to abandon them. The additional cost to each state now in the program is small and easily manageable if the state is given sufficient time to develop funding resources.

3. The Federal officials who administer the program on a day-to-day basis are convinced that few states participate solely because of Federal funding, and that few would withdraw if states assumed the full cost of their programs. To the extent that any loss is incurred, it would be more than compensated for by manpower additions at the Federal level as we approach the authorized ceiling of 325. These projected numbers are, in our best judgement, equal to the tasks assigned, and we do not envision the need to raise the authorized Federal ceilings when the phase out of Federal funding is completed.

4. That view is shared by many of the state safety program personnel contacted in the course of two surveys conducted during the last year.

During the most recent survey of the 32 states in the Program, sixteen states indicated that they would probably continue in the Program, with some stating they likely would reduce the number of inspectors. In the aggregate, these sixteen states estimated that 40 of 51 inspectors they employed would be retained. Ten other states stated either that continuation was probable, subject to review by state legislatures and/or agency heads, or that they were uncertain as to continuation. Even in the worst case, we believe that at least eight of these states will continue in the Program, but with a reduction in the number of inspectors from 35 to 23. For the remaining six states, which indicated a preference to drop out of the Program if Federal funds were eliminated, we note that four could continue to employ seven inspectors if the states continue to provide funding at their current levels.

In summary, the survey suggests that discontinuance of Federal matching funds would result in at least 28 states continuing in the Program, with a retention of at least 70 inspectors. The results of the more recent survey confirm a 1982 survey, which indicated that 23 states would have continued absent Federal funding. Maintenance of such a level of state effort strongly suggests that there is no cost-benefit advantage in retaining Federal funding.

In fairness, timing is an important issue for many states. When Federal funding ends on September 30, 1984, the States would have eight months from the date of this report to obtain revised sources of funding. While this would be adequate in the great majority of cases, we recognize that several states may have problems with this schedule due to the timing of state legislative sessions and their decisions on state appropriations. However, if past year obligation levels continue in FY 1984, and we believe they will, there will almost certainly be a significant carryover into FY 1985. These carryover funds are available until expended, providing a transition mechanism for those states experiencing problems with the timing of state legislative sessions.

We will work actively with the states and the Committee staff to resolve any unforeseen problems. FRA will continue to train state inspectors and coordinate and consolidate their inspection plans into FRA's National Inspection Plan. That Plan is revised annually to reflect current safety issues and to establish the priority of Federal inspection efforts and ensure coordination with state safety programs.

We believe that the course proposed in this Report represents an equitable and workable plan for vesting the states with responsibility for their inspectors' salaries and related expense without jeopardizing the state programs or requiring an increase in Federal inspectors. Railroad safety will not be compromised in the process, and the effective working relationship established between the states and FRA will continue.

I want to thank the Committee for its concern and continued support in the railroad safety area. With best wishes.

Yours very truly,

John H. Riley
Administrator

Enclosure

cc: Jamie L. Whitten

FISCAL YEAR 1983 GRANTS-IN-AID FOR RAILROAD SAFETY STATE PARTICIPATIO.

Number of State Safety Inspectors

States	Track	Motive Power and Equipment	Operating Practices	Signal & Train Control	Total	FY 83 Funds
Alabama	2	2			4	$ 103,824
Arizona	1	1			2	39,699
California	2	1			3	100,657
Connecticut	1				1	11,397
Florida	3	2			5	117,464
Illinois	5				5	104,023
Iowa	3				3	82,707
Kansas	1				1	24,524
Louisiana	1				1	15,533
Maryland	1	2	1		4	88,357
Michigan	4	1			5	136,317
Minnesota	2				2	56,225
Missouri	3				3	74,625
Neraska	1	1			2	47,027
Nevada	1				1	17,247
New Hampshire	1				1	22,225
New Jersey	1				1	33,060
New York	4	3			7	203,020
North Carolina	2	1			3	59,132
Ohio	3	5			8	141,960
Oklahoma	2				2	62,885
Oregon	2	2			4	132,056
Pennsylvania	3	3			6	200,171
Rhode Island	1				1	29,718
South Carolina	1	1			2	42,950
Tennessee	2	2	1		5	80,031
Utah	1	1			2	52,320
Virginia	2				2	57,861
Washington	2	2	1	1	6	166,250
West Virginia	2	2			4	89,133
	60	32	3	1	96	$2,392,398

Changes in Fiscal Year 1984 Applications

Additions From FY 1983

Montana
New Mexico
Texas

Deletions From FY 1983

Rhode Island

Total States: 32

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

STATEMENT OF W. GRAHAM CLAYTOR, JR., PRESIDENT AND CHAIRMAN OF THE BOARD

ACCOMPANIED BY DON BRAZIER, EXECUTIVE VICE PRESIDENT, FINANCE AND ADMINISTRATION

STATEMENT OF MR. CLAYTOR

Senator ANDREWS. Graham, we would be glad to hear from you now.

Mr. CLAYTOR. Yes, please. Thank you, sir.

I have submitted a full statement which will be submitted to the record, and I would just like to say a few words.

First of all, it is a great privilege to appear before this distinguished committee with John Riley, who is not only my able colleague and the representative of our controlling stockholder, the Secretary of Transportation, but basically I look upon him as a member of our team. I cannot overstate the help that he and the Federal Railroad Administration have been to Amtrak. Working together as a team, we are moving toward the best possible service at the lowest possible cost.

It has not always been so. Amtrak and FRA have, from time to time, had grave differences of policy approach and execution. And I think the fact that we have been able to work together this well is testimony to the kind of fellow John Riley is. It has been just a tremendous pleasure for me to be able to do this.

What he described we have done—he put it in terms of what I have done—is overstating the case so far as I am concerned. This has been done by Amtrak as a team, and much of it had been organized and planned and some executed before I got there.

AMTRAK FINANCIAL PERFORMANCE

We are attempting to follow the congressional goals that have been set for Amtrak, and to move ahead of them if possible. Chief among these goals is to improve steadily our revenue-to-cost ratio. As recently as 1976 and 1977, that ratio was only about 42½ percent. That is, we covered only about 42½ percent of our costs with our revenue.

Congress ordered that it be improved to 50 percent by the end of 1984. That goal was met in 1982. I felt that we could go way beyond that, and we have done so. We met 54 percent in 1983. We set 56 percent as our goal for this year, 1984, but we will definitely exceed this. We have a 58-percent goal for 1985, and I hope we can exceed that also. And I am going through the 60 percent mark within the next 2

years, and I hope that we will go right on beyond that. I think we can do so.

How do you do this? There are only two variables to work on: More revenue and less cost. Since we do not foresee any major route additions or reductions, we must increase revenue primarily by improving the quality of our service and getting more people to use the service that we have got. Ontime performance, now over 80 percent; modern maintenance equipment, good food service, good onboard service. We have instituted the train chief program which puts a supervisor on every long-distance train to make certain that our people on the train provide the service that they should.

We also increase revenues by service changes and by finding new services that will more than cover short-term avoidable costs. Of course, when you come to reducing costs, our greatest assets are the more efficient shops that have been made possible through our capital investments over the years. We have the finest car shop in the world at Beech Grove, Ind., but we have great shops at Wilmington, Rensselaer, New York, Ivy City here in Washington under construction, and shops at Chicago and Los Angeles, as well as maintenance-of-way shops up and down the Corridor.

As these are improved, our efficiency in repairing our cars, which is a big expense, improves every time. So each year, I am hopeful that we can continue to reduce these costs.

We have consolidated headquarters functions. We had around 1,500 people in headquarters in 1980. We have 854 today. Half of those have been by transfer to the field, where they could join other people in the same area and be more efficient. The other half have been by just eliminating the jobs by attrition.

LABOR ARRANGEMENTS

We reported last year on our new work rules in the Northeast Corridor, the first railroad in this country to eliminate the time-mileage formula, with the exception of the Florida east coast. That is working very well, and at the end of the 3-year phasein period by 1986, we will be saving $20 million a year.

We have extended this, this year for the first time, beyond the Corridor to our Auto-Train. Since we took over—since we started the Auto-Train as a new function, we were able to arrange to man it with our own train and engine crews, the only off-corridor train with which that is true.

The Auto-Train normally would run with six changes of crew between Lorton, Va. and Sanford, Fla., which would require 24 men to take the train one way. By eliminating the mileage and hiring people on the basis of time, we put two engineers and no firemen on the engine; a conductor and a trainman on the train—a four-man crew—and we change the crew only once at Florence, S.C.

So we are running that train for its entire distance with 8 men instead of 24 men. And I feel that that is a way in which we may be able to move with other off-corridor trains.

We are reducing station employees where they are not needed, and of course, we have made modifications elsewhere.

Another thing that has helped us, of course, is declining inflation. But I certainly cannot claim any credit for that.

SERVICE CHANGES

Mr. Chairman, if we keep going this way, we are going to need your continued help on two fronts. First is the problem of our ability to reroute some trains within the national system and to make needed service or schedule changes to provide broader or improved service, reduce costs, or hopefully both.

Even where these are plainly in the national interest from both the standpoint of cost and efficiency and from the standpoint of increasing revenues by providing service to more people, they always generate local opposition if a particular locality doesn't like them. Current examples, of course, are rerouting of the California Zephyr last year through the scenic Colorado mountains instead of through Wyoming, the substitution of faster and cheaper dedicated bus connections between Tampa and St. Petersburg, and their extension to serve, for the first time, the important cities of Bradenton and Sarasota in Florida; and currently, a change of schedule of the Cardinal, the train between Washington and Chicago, that will provide connections to our western trains and considerably increase our business by that, as well as provide more convenient times for our busiest stations, but will inevitably give somewhat less convenient times for other places.

ADDITIONAL ROUTES

An even more important problem is presented by the question of what additional routes we should institute. We are always searching for new service that will cover its avoidable costs and improve our revenue to cost ratio, but to comply with the congressional policy to continue to reduce our subsidy requirements, we will not institute any new service without State support under section 403(b) unless we can project that it will more than cover its incremental costs.

After careful and extensive studies, we concluded that the Auto-Train to Florida and a connection from St. Louis to Centralia, Ill., to provide a through train from Kansas City and St. Louis to New Orleans would, in fact, cover these costs, but unfortunately, none of several trains through Oklahoma that we studied would do so.

Accordingly, we have instituted those first two trains. The second one will start on April 29 with our timetable change. But we have recommended to the proponents of the Oklahoma trains that they urge the State to request a 403(b) train here, which would plainly be feasible.

Mr. Chairman, I hope very much that we can have your support in sticking to these guidelines. If special exceptions are to be legislated, I fear that our whole objective to make Amtrak an efficient railroad that compares favorably with the best of the other railroads in this county and that is as self-supporting as possible will go down the drain.

I really believe that all our actions here are being taken to implement the plain congressional policy, a policy that I fully endorse, and which I honestly hope will be maintained and reaffirmed and not frittered away bit by bit.

I am very much afraid that if Amtrak comes to be seen as a pork barrel on wheels, its demise as a national passenger organization may follow. We have a great many people who would like to accomplish that purpose. And I am determined that we will defeat that by keeping this an increasingly efficient first-class railroad system and not just a Government agency.

AMTRAK BUDGET REQUEST

Now, Mr. Chairman, I would just like to turn briefly to our request for 1985 appropriations.

Amtrak and the administration are in agreement on all the main elements of our budget—estimated revenues, operating expense requirements, and capital and labor protection. So our differences are not great. But I would like to discuss very briefly what they are.

If I could ask you to turn to attachment 1, a single sheet, which is at the back of my prepared statement. We have estimated revenues to be $873 million in fiscal year 1985, the highest we have ever had. FRA has agreed with that. Of that, $25 million comes from revenue enhancement projects such as our lease of some of our right-of-way for communications. That traditionally has always been set aside for capital, and we have done so here. There is another $2 million of interest that was earned on funds that have been aside for Union Station, and that in turn will be set aside for that purpose.

That will leave $846 million available for operations.

Now, our total funded expense will be $1,505,000,000. That is about $126 million more than it was last year, of which $103 million is inflation and additional railroad retirement. The rest is such items as additional maintenance because of our taking over the Northeast Corridor from the Northeast Corridor Improvement Project and the like. Again, we are in agreement on that figure.

Now, our operating grant required, therefore, which is subtracting lines 2 and 3, comes to $659 million and labor protection of $2 million, or $661 million. We are all together up to that point.

CAPITAL FUNDS

Now, capital required—and we have submitted a detailed analysis of what that capital expenditure is going to be—is $121 million. We have a number of funds available that we and the FRA agree can be used to reduce this figure. First is the $25 million of revenue enhancement proceedings that I mentioned before, so we deduct that.

Second, we have $24 million that is a carryover from 1982 and 1983 that we have achieved by either improved revenue or reduced costs, or both. Now, this is the first item on which we disagree. We are prepared to put $4 million of that as a reduction, but the FRA suggests $24 million. The difference is $20 million that we have set aside for the West Side Connection in New York.

WEST SIDE CONNECTION

Now, Mr. Chairman, the West Side Connection—Congress instructed us to set aside $20 million in addition to $10 that was already appropriated for that purpose several years ago. Last year, the House Appropriations Committee said the committee believes that Amtrak will be able to provide the necessary funds for the West Side project from its capital budget in combination with savings from improved performance. And they did not appropriate money for that, but said take it out of savings.

This committee in its appropriation report last year said the following: "The committee directs Amtrak to proceed with the West Side Connection project within available funds." We have the available funds in this carryover, and we had set it aside for that purpose. So the issue is one for Congress.

Do you want us to set aside that $20 million for the West Side Connection, or do you just want to use it to reduce the capital otherwise to be expended this year?

Now, in that connection, Mr. Chairman, we must have, in order to go forward with the West Side Connection, a significant financial participation by the State of New York. I have been in touch with the Secretary of Transportation of New York, Mr. Larocca, on this and have recently received two letters from him that, with your permission, I would like to submit for the record.

One of these letters states that he has now ascertained that there is approximately the necessary matching funds which are between $20 and $25 million from New York available, and that he is going to recommend that they be assigned to this project. If that is done, we will then have the money available to go forward with the project, and therefore, we need this $20 million in 1985. If we do not have it, I suspect that we will lose the New York funds, and the whole project will be either terminated or put on indefinite hold.

So I urgently suggest that the $20 million we want to set aside for the West Side project be kept in that category.

REVENUES

If we go on down the line here, in fiscal year 1984 so far, we are halfway through fiscal year 1984, we believe that our estimate of revenues made 18 months ago now was understated. We believe we are going to be able to have more revenues in 1984 than we had anticipated, and we also, hopefully, will have somewhat fewer expenses. We are at least working on that.

We and the FRA have agreed that a reasonable figure for this is $23 million, and so we are prepared to reduce our request for appropriation by $23 million on the assumption that we are going to be able to save that much out of 1984. So we deduct that.

NORTHEAST CORRIDOR

The next item is the Northeast Corridor purchase fund. The amount of $4 million was left over from an appropriation made a number of years ago when Amtrak took over the corridor. Those funds are limited by the authorization to acquisition of properties needed in the Northeast Corridor. They have not yet been spent. We would like to hold those funds for that purpose. Among other things, we will need to purchase the West Side Connection from Conrail, and we would like to have that money available for that and for other possible additions that from time to time may come along. It's a relatively small amount, but it's already earmarked for that purpose, and I feel it should be left there for that purpose.

The next item is $6 million which we all agree can be used to reduce our request because that is money we have received from the sale of surplus locomotives to the New Jersey Transit.

JOBS BILL

Then finally, the last item is $20 million that the administration suggests we used to reduce our request because of the jobs bill. And they suggest that what we really should do is reduce our $121 million capital funds to $101 million by taking $20 million out of it, because the jobs bill provided us with money that could be spent for that type of thing.

Now, that again is a decision for this committee to make. But, Mr. Chairman, the jobs bill was set up and given to us with the following objectives: Find items in limited labor surplus areas that can be spent quickly for labor-intensive matters and that will be in the public interest. Now, we went at it that way. We did not include in the jobs bill any items that were then in our immediate capital requirements. Major items included fencing along the Northeast Corridor right-of-way, some of which we would have done with our capital program, but much of which we could not have afforded to do. It's a good thing. It's good for the community; it's a safety item; we are glad we could do that.

There were a lot of repairs of bridges that will have to be done anyway within the next 10 years, but were not urgent, but which were very labor-intensive. We included that.

We submitted to the committees a full list of jobs bill items. They are about half finished now. They will pretty much all be finished this year. Very little will be left over. And we have complied with it. But none of the items in that jobs bill were items that were planned to be in the 1984, 1985, or 1986 budgets.

So if that $20 million is cut out, what we will have to do is postpone what we think are pretty urgent capital items planned for 1985, and put them back in later years. All of this money is going to have to be spent if we are going to continue to move forward. Much of it in the Northeast Corridor are items that have to be done from the standpoint of maintaining/rebuilding bridges, maintaining the right-of-way, undercutting, and that type of thing.

However, I submit this to the committee and a decision on that is entirely up to you.

The result of all this is that we request a total grant of $724 million. The administration asked for $680, which is $44 million less. That is $20 million on the jobs bill, $20 million on the West Side Connection, and $4 million on this money that has been set aside to buy additional properties in the Northeast Corridor.

PREPARED STATEMENT

Mr. Chairman, that pretty much concludes my testimony. It has been a pleasure to be here, and I will be happy to try to answer any questions.

[The statement of W. Graham Claytor, Jr., follows, with a statement from Birch Bayh, Chairman, Amtrak Joint Labor/Management Productivity Council and attached letters from New York State Commissioner of Transportation, James L. Larocca, dated March 8, 1984 and March 23, 1984, respectively:]

STATEMENT OF W. GRAHAM CLAYTOR, JR.

Mr. Chairman and Members of the Subcommittee, my name is W. Graham Claytor, Jr., and I am President and Chairman of the Board of the National Railroad Passenger Corporation (Amtrak). I appreciate the opportunity to appear before you today to report on the progress Amtrak has made over the last year and to discuss the Corporation's budget for fiscal year 1985.

Last year, I stated to this Committee that I had two objectives: to improve the quality of our service, and at the same time, to reduce the costs of rendering that service. Today I am happy to say that we have made substantial progress toward both objectives. More than ever, I am committed to running as efficient a railroad as any in the country, and will continue to pursue a course designed to improve the Corporation's financial performance and reduce our requirement for public funds. In order to accomplish this, I need your support, not only to provide the necessary public funds, but also to convince your colleagues in the Congress to exercise restraint and not to intervene in management decisions regarding the day-to-day operation of the railroad.

Congress has established a national rail passenger transportation policy with specific goals. Chief among these stated goals is the steady improvement of our revenue-to-cost ratio, with consequent reduction in our requirements for annual financial support from the federal government. As a concomitant to this fundamental statutory objective is the recognized need to continue to improve the

quality of our service, so that we may have in this country a national rail passenger system that compares favorably with any in the world.

That is a tall order, but we at Amtrak take it very seriously. Specifically, in 1979 Congress ordered that by fiscal year 1985, Amtrak must cover 50 percent of its total operating costs with revenues. As I reported last year, we actually met this requirement three years early--in 1982--and are now well on our way toward a 60 percent ratio. In fiscal year 1983, we made 54 percent; in the current year 1984, we hope to exceed 56 percent; and for 1985, we have estimated that our revenues will cover at least 58 percent of our total operating costs.

We are tackling this problem on two fronts. First is improved efficiency--that is, holding down our costs. Much of this stems from utilization of the modern shops, facilities and equipment that have been made possible by our capital programs over the last few years, coupled with an intensive effort to improve labor productivity, in both line and staff areas. The second line of attack is to increase our revenues. This in turn can be done by improving the quality and attractiveness of our existing service and instituting new service where its incremental revenue exceeds incremental costs. In this area, also, I believe we have made great strides--a subject that I shall discuss shortly.

A subordinate but related goal is to cover on a systemwide basis 100 percent of all of our short-term

avoidable train operating costs with train operating revenues. Here, we are also making progress, but not as rapidly as I would like. In 1983 we covered 79.7 percent of these costs with train revenues, the highest such percentage in our history, and we will do even better this year. In order to be able to continue to succeed in either of these areas, however, we must have your understanding of and support for the policies we have adopted to reach these objectives.

First of all, we accept the basic national system as we now have it, and do not seek to discontinue any trains now operating so long as they meet congressionally-established minimum criteria. We must, however, be permitted to maintain the management flexibility to adjust or modify routes in accordance with the established route and service criteria and procedures, to improve productivity, negotiate our own labor agreements, and to experiment with new types of service that would make a positive contribution to the system. As this Committee knows, any service change, however minor, or even the study of a possible service change, can cause considerable perturbation in local affected areas, often with resulting efforts to mandate the status quo by legislation. We are interested in only those route modifications, however, that plainly will enable us to offer service to more people, materially improve our operating efficiency, or do both. When such changes will accordingly improve revenues or reduce costs, the wider national interest must override inevitable parochial objection. The rerouting of The California Zephyr through the scenic Colorado Rocky Mountains is a particularly

successful example of this. The provision of much more expeditious dedicated connecting bus service from Tampa to St. Petersburg and Clearwater, Florida, enabling new Amtrak service to be instituted to Sarasota, Bradenton, Treasure Island and Clearwater Beach, with very substantial annual cost savings, is another.

A second controversial area is in the provision of, or failure to provide, entirely new service. Leaving aside 403(b) trains financed in part by the states, I have adopted a policy of instituting new service only when a thorough study indicates that such service will cover 100 percent of its short-term avoidable costs. I think this policy is essential if the financial performance goals mandated by the Congress are to be met. The Auto Train from Lorton, Virginia to Sanford, Florida is one such new service; another that has just been approved is the relatively short-distance connecting train from St. Louis to Centralia, Illinois that will enable us to provide for the first time through-coach and sleeping-car service between New Orleans on the one hand, and St. Louis and Kansas City on the other. We are satisfied that both of these services will more than cover their short-term avoidable costs.

On the other hand, studies of a number of other proposed new routes, including service through Oklahoma, California and Nevada, indicate that they would result in substantial short-term avoidable losses per passenger mile and would thus require additional government subsidy and adversely affect our revenue-to-cost ratio. Accordingly, we have declined to institute such services, but have pointed

out to the affected states that these routes are acceptable candidates for operation with state support under Section 403(b).

We continue, as we should, to study both prospective new services and proposed modifications to existing services. Where the result is not to the liking of one group or another, however, there is almost invariably an effort made to mandate by legislation a reversal of our decision regardless of the consequences on Amtrak's efficiency and costs.

In all cases, I am willing to meet with congressional or local officials in order to explain as fully as I can the basis for any decisions they question. I am confident, however, that Congress will use its collective good judgment when faced with issues that conflict with the policy goals in our enabling statute and with the need for Amtrak to provide the best possible service to the largest number of people. Your help in this will always be greatly appreciated.

In addition to the strong emphasis placed on cost control and productivity improvements, we are continuing to focus on those aspects of our service where we have already made significant progress. Passenger complaints decreased again in fiscal year 1983, and I have set an internal goal to reduce complaints by one-half during this fiscal year. On-time performance reached a record system high of 81.5 percent (85.1 percent for Metroliner service in the Northeast Corridor) during fiscal year 1983. Equipment

availability remained in the 90 percent range for most major categories of rolling stock as a result of the extensive and ongoing maintenance program that we have developed.

Amtrak exists solely to provide a service to the travelling public. All our efforts to become more efficient won't mean a thing if this is accomplished at the expense of the quality of the service we offer. The Corporation is providing a better overall service today than at any other time during its 13-year history. In order to compete in the transportation marketplace, we will have to continue to find new ways to provide a consistently high level of service while reducing costs.

Budget

As set out in detail in Attachment 1, Amtrak and the Federal Railroad Administration are in agreement on total estimated fiscal year 1985 funded expenses of $1,505 million and on total estimated revenues of $873 million. This revenue estimate represents a $102.1 million increase over estimated revenues for fiscal year 1984. FRA has also agreed with Amtrak's proposed operating grant of $659 million and $2 million for labor protection in fiscal year 1985. This funding level assumes that Amtrak will continue to operate in fiscal year 1985 all routes that are currently in the basic national system and that there will be only minor modifications to the state-supported services operated under Section 403(b). The only difference between our budget request and the budget that the Administration has proposed for Amtrak concerns the level of prior year

funding that is available to finance the fiscal year 1985 capital program.

In accordance with instructions from the Congress, Amtrak has reserved $20 million in funds appropriated to Amtrak in fiscal year 1983 (and not expended in that year) for the West Side Connection project. It is my understanding that the Administration will suggest that these funds be used to fund our fiscal year 1985 capital program (which does not include this project because we have not yet confirmed needed additional financing by New York State). In addition, the Administration proposes that the Amtrak capital budget be reduced by an additional $20 million to take into account Jobs Bill funds that were previously provided. Finally, the Administration also proposes reprogramming of $4 million that was appropriated, but not up to this point required, for the purchase of Northeast Corridor properties. Amtrak does not agree with these proposals that total $44 million, all with respect to capital items and, therefore, we have arrived at a total federal operating and capital grant requirement of $724 million for fiscal year 1985, as compared to $680 million in the President's budget. As noted on Attachment 1, Amtrak does agree with the Administration that several other listed sources of funds could properly be used for 1985 capital requirements, and these are reflected in our $724 million request.

The improving economy, combined with prudent cost management, enabled the Corporation to increase its revenues and continue to improve the proportion of costs covered by

revenues in fiscal year 1983. Actually, most of 1983 was a poor travel year. Data collected by the nonprofit U. S. Travel Data Center in October 1983 indicate that total trips were nearly four percent fewer than the year earlier; this situation affected almost all segments of the travel industry, including Amtrak. In addition, the competitive environment continued to be marked by various price-cutting actions by the airlines. Despite these factors, Amtrak's ridership in fiscal year 1983 increased slightly in terms of passenger miles as a result of careful management of pricing and marketing programs and the introduction of innovative discount fares. Transportation revenues actually grew at an 8.1 percent rate--a rate which appears to be considerably better than that experienced by the domestic airline industry.

Amtrak assumed a more aggressive marketing approach in 1983, part of which was the "All Aboard America Fare," that offered discretionary travellers an opportunity to experience a long-distance trip at a price that represents an incomparable value in the travel industry. We have also taken steps to make information and ticketing more available to travel agents, who have always been an important factor in Amtrak sales and now handle about 25 percent of all Amtrak tickets sold. We have been negotiating with several major air carriers to arrange a mechanism that will allow travel agents access to Amtrak schedules, fares and services through a direct connection between the airlines and Amtrak's reservation system. The first phase of Amtrak's inclusion in the airlines' cohosting system was implemented

on January 30, 1984, when nearly 3000 travel agents who used Trans World Airlines' system gained direct access to Amtrak's reservation system.

The year-to-date financial performance of the system in fiscal year 1984 has exceeded our own projections. During the first four months of fiscal year 1984, ridership has increased by over one million passengers, and revenues have increased by over $44 million in comparison to the same period in fiscal year 1983. Actual ridership and revenues for the first quarter exceeded our fiscal year 1984 projections, which we partially attribute to increased patronage that Amtrak experienced as a result of the Greyhound Bus strike. It is for this reason that we have been willing to go along with the Administration's assumption that up to $23 million from increased revenues can be carried over to fiscal year 1985, as listed in Attachment 1.

The Corporation has also been able to control operating costs which has kept our request for public funding relatively constant over the last several years. In its fiscal year 1985 estimate, Amtrak has constrained its operating budget and has limited its request for public funds despite cost increases related to inflation, statutorily prescribed increases in contributions to the railroad retirement program and unemployment compensation, and, most recently, increased costs to maintain the rehabilitated Northeast Corridor between Washington, D.C. and Boston, Massachusetts. The cost of these items is reflected in our operating budget in fiscal year 1985. Our

estimates have, however, also taken into consideration the effects of oroductivity improvements, cost reductions, modifications to existing service, and general austerity measures.

One of our primary business objectives is the improvement of the Corporation's financial performance on a route-by-route basis, as measured by the ratio of revenues generated by each route compared to its costs. In pursuing efforts to have all routes cover their short-term avoidable costs, we are continuing to identify modifications and capital investments that will improve route financial performance. In addition, we are refining our management information systems to collect and report individual route performance to encourage and enable line management to better make ongoing day-to-day operating decisions.

Recently, we established an in-house task force made up of some of our best people and assigned them to review each route operated by Amtrak. Their goal is to improve service by determining the optimal fare for each route, the best schedule, the most efficient use of equipment, what modifications need to be made to on-board services, route changes, extensions or reductions that would increase ridership and revenues or reduce costs, and ways to improve productivity. I will only implement those recommendations that will result in better service and a net financial improvement. Without this ongoing review and service modification program, we cannot continue to make the kinds of improvements that have resulted in reduced operating subsidies.

Capital Program

One reason the Corporation has been able to achieve operating efficiencies over the past few years is because this Committee has supported capital expenditures which have allowed Amtrak to modernize its passenger car fleet and facilities. For fiscal year 1985, Amtrak will generate sufficient funds through our revenue enhancement efforts ($25 million), from increased revenues or reduced costs achieved or anticipated in fiscal years 1982-1984 ($27 million), and sale of surplus locomotives ($6 million) to fund almost half of its $121 million capital budget. (See Attachment 2, page 1.)

Amtrak management has limited proposed capital expenditures to those areas which have the greatest potential for reducing operating costs, improving revenues or productivity, as well as improving service. Accordingly, Amtrak's capital request for fiscal year 1985 is only $63 million. An explanation of our capital program is summarized in Attachment 2.

Mr. Chairman, I want to emphasize that our capital program does not include any projects authorized under NECIP. Despite the fact that the Administration has not requested any funds beyond the $2.19 billion level for fiscal year 1985, Amtrak continues to believe that the additional $310 million that has been authorized, but not appropriated, must be spent during this decade to complete the Northeast Corridor project and will have to be included in Amtrak's future capital budgets if not appropriated as

authorized. I have asked my staff to prioritize the unfunded projects listed in the NECIP statute and to determine an appropriate level of funding for each year to complete this work through fiscal year 1989. I would be pleased to provide this information for the record if the Committee so desires. I feel confident that such a list can be developed by Amtrak and FRA, as we have done in the past.

Amtrak has already earmarked $33.75 million in Jobs Bill funds to undertake some of the projects in the remaining Northeast Corridor Improvement Program (NECIP) authorization of $310 million. We have also eliminated Union Station from our required $310 million funding list since funds have already been identified for this project. However, because of inflation, the set-aside for the Atlantic City project, and the need for other important NECIP projects, it would not be feasible to significantly reduce the $310 million funding requirement necessary to complete the project.

Two major capital projects in which Amtrak is currently involved, the West Side Connection and Atlantic City service, are mandated by law and have significant potential benefits for Amtrak. Although I question the desirability of legislatively mandating such projects, I am confident that these improvements will result in increased revenues and/or a reduced operating grant.

Atlantic City--We are planning to use appropriated funds to undertake capital improvements that will enable Amtrak to implement service to Atlantic City. Since 40 percent of

the project's capital expense must be provided by non-federal funds, the State of New Jersey indicates that $10.5 million in costs for the Atlantic City terminal will be provided by outside interests as part of the project. If that occurs, the State of New Jersey will be required to provide only $9.5 million to meet the 40 percent ratio. We continue to meet with New Jersey State officials and I believe that we will shortly conclude the agreement with the State covering the rehabilitation of the line and the operation of Amtrak passenger service. The only major issue left to be resolved is the nature and scope of the environmental analysis of the project. Amtrak will work with the Federal Railroad Administration and the State to ensure that the project is in compliance with all environmental laws and regulations.

West Side Connection--As you know, Amtrak's 1983 appropriation included $10 million for this project, of which Amtrak committed $5.3 million for the construction of a tunnel under Tenth Avenue to connect with the box tunnel already constructed. It was clear from the fiscal year 1984 Appropriations Committee reports that Amtrak was expected to fund the remaining $20 million for construction of this project from within available resources. Amtrak has a statutory limit of $30 million for construction of the project and, since the recommended project configuraton is estimated to cost approximately $56 million (1983 dollars--excluding land acquisition costs and the box tunnel), the rest of the project funding must come from outside sources, which we are actively pursuing with New York State.

Union Station

I would like to take this opportunity to thank Secretary of Transportation Dole for successfully bringing the interested parties together and initiating the Washington Union Station redevelopment project. The U. S. Department of Transportation will oversee and coordinate all stages of the work, and the Union Station Redevelopment Corporation, with close cooperation from Amtrak, will manage the project. The renovation project is being funded by Amtrak through funds derived principally from savings from fiscal year 1983 operations and reserves previously set aside, but not required, for payment of interest. In addition to the capital funds being made available by Amtrak, $8 million in previously appropriated Department of Interior funds are being expended for roof repairs and $40 million in federal highway funds made available to the District of Columbia from the Secretary of Transportation are earmarked for completion of the parking facility.

In January 1984 a contract was awarded for high priority repairs that are deemed necessary to protect the building against further deterioration. Work on completing the parking garage along with ramps, walkways and a connecting structure between the station concourse and the garage is expected to start this month and to be completed by September 1986.

Service Quality

A major step to improve service was taken last year when Amtrak instituted a new management system on all

long-distance trains that has enabled better supervision of our on-board service employees. We have hired experienced people who have served on trains to directly supervise all Amtrak personnel in the dining car, lounge car and in the sleeping and coach cars. These management employees are responsible for the service our employees provide and are expected to solve en route service-related problems. The system is working very well and has resulted in a dramatic reduction in the number of customer complaints thus far as well as increase in favorable customer comments.

Another essential element in providing a consistently high level of service is new-hire training and follow-up training for incumbent service employees. The goal of these programs is to present standardized instruction on customer service to both station and on-board service personnel. For the first time in our history, we are establishing a passenger relations training program for conductors and assistant conductors whom Amtrak now directly employs in the Northeast Corridor and for those operating employees whom Amtrak will soon employ outside the Northeast.

We also intend to improve our means of monitoring passenger satisfaction by measuring customer response to both the product and the service we market. On-board service chiefs and train managers are required to prepare detailed trip reports that provide Amtrak management with a more consistent source of information on passenger concerns than we have had in the past. The customer data collection and reporting system is also being totally revamped in an effort to provide more timely and accurate reporting of

customer feedback and to improve Amtrak's responsiveness to such comments.

Amtrak is also in the process of restoring more gracious service to our full-service dining cars and improving the overall quality of our food service. We will never be able to provide candlelight dinners served on limoges china, but we are adding back certain amenities which will make the meal more enjoyable at little or no additional cost to the Corporation. Most meals served in our dining cars are pre-prepared and heated in convection ovens aboard the trains. Waiters are serving customers in the traditional dining car manner, instead of bringing an entire meal on a tray. On many long-distance trains, we prepare all breakfasts and certain dinner entrees to order, and have experienced difficulty lately in accommodating all those who wanted to use our full dining service. On our long-distance trains during the Summer, as many as 60 percent of the passengers purchased meals in our full-service diners and another 20 to 30 percent purchased food and beverages in the lounge cars. Amtrak management is examining alternatives that will enable us to better meet the extraordinary demand we have created for this service. In addition, we are constantly modifying the menus and introducing new meals in order to provide some variety and to make the passenger's dining experience a more pleasurable one.

New items or changes in service are also now being tested on particular routes, and customer response is being analyzed before a decision is made whether to implement the

change systemwide. For example, Amtrak is gearing up to take advantage of the increased travel that will occur as a result of the initiation of the World's Fair in New Orleans this Summer, and we are upgrading service on our long-distance trains that serve that city. On the City of New Orleans, which operates from Chicago to New Orleans, we will offer freshly prepared regional foods and special amenities for first-class passengers. By experimenting with these enhancements, we hope to take advantage of the positive characteristics which people associate with rail travel.

Labor and Productivity

I believe that both labor and management recognize the urgent need to continue to reduce Amtrak's dependence on federal funds and view productivity improvements as a primary initiative to achieve that goal. In the Spring and Fall of 1982, during negotiations with the 16 unions that represent our employees, Amtrak presented a multifaceted proposal, which represented an unprecedented departure from the previous national settlements negotiated by the rail unions and the National Railway Labor Conference, the organization which represents freight railroads. Amtrak offered its own independent proposal since the national agreements tended to represent the interests of private freight railroads in the past. The unique requirements we have as the exclusive provider of rail passenger service could no longer be efficiently served by labor agreements tailored to the financial and operating conditions of the freight railroads.

Negotiations with the operating and non-operating unions culminated in agreements which differ from traditional railroad craft agreements and significantly improve management flexibility through work rule reform. These new agreements and the partnership they created between labor and management have been a key factor enabling the Corporation to achieve its financial goals over the last two years. The work rule revisions have provided Amtrak with the flexibility to manage, reduce labor costs, and improve the productivity of its workforce. This increased flexibility is essential if we expect to continue to provide a quality product in a service-oriented business. The wage settlement for union employees and the cap that I imposed on merit increases for management employees was less than that provided in the rail freight industry, but is consistent and, in many cases, less drastic than wage packages adopted by other transportation companies that compete directly with Amtrak. The rail unions which represent our operating employees have already submitted formal notices to amend these agreements and we expect that other unions will do so within the next few months. When Amtrak begins to renegotiate these contracts, we will seek further rule changes and will again insist on an appropriate wage settlement. We are currently identifying work rules which impose substantial costs on the Corporation and the financial impact of these rules is being quantified manually and by our computerized payroll system. This information is being evaluated as it becomes available and allows the Corporation to prioritize and pursue only those changes which will truly improve our financial performance and the productivity of our workforce.

The 1981 agreements also marked the first time in the Corporation's history that it directly employed the train and engine crews who operate our trains in the Northeast Corridor between Boston and Washington, D. C. The direct employment of these employees, who previously worked for Conrail, provides Amtrak with an opportunity to assemble a select workforce and to negotiate labor agreements with reasonable working conditions by excluding the obsolete provisions of past agreements. An agreement with similar rules has been negotiated and signed with the train crews whom Amtrak directly employs outside the Northeast Corridor to operate Auto Train. We are now actively pursuing the direct employment of other train and engine crews outside the Northeast Corridor and hope to settle on comparable terms and working conditions. In order to maximize the benefits of directly employing these crews, Amtrak will implement a hub-and-spoke concept wherein crew bases are located at central points supplying crews for radial routes as well as yards at the hub location. Where Amtrak operations are sparse, crews can continue to be supplied by contract railroads to avoid unnecessary overhead costs. It is important that we obtain the support and cooperation of the private carriers involved, and we are currently discussing a number of matters with the railroads to ensure the smooth transition of these employees.

Finally, the 1982 agreements established a Joint Labor/Management Productivity Council which met regularly throughout calendar year 1983 to identify areas of mutual concern, establish local task forces in the field to

evaluate local working conditions, and to make recommendations for the resolution of existing problems and improvements in productivity. The Council has served as a catalyst for new ideas and has allowed employees to make recommendations and participate directly in decisions regarding physical improvements to the worksite or changes in operating procedures which would have a positive impact on productivity at that site.

I would like to submit for the record a statement by Senator Birch Bayh, Chairman of the Amtrak Joint Labor/Management Productivity Council, regarding the Council's activities during the past year.

Management has also improved productivity at headquarters and has streamlined its corporate staff. In fiscal year 1980, the headquarters personnel count was 1,503. Today, headquarters personnel is 854. While some of these positions were relocated to field offices, there has been a reduction in force of 429 over the last five years, which has resulted in an estimated savings of $14 million.

Route Adjustments

In July 1983, Amtrak rerouted the "California Zephyr," its Chicago-San Francisco service, over the Denver and Rio Grande Railroad between Denver, Colorado and Salt Lake City, Utah, which has increased ridership and has improved the financial performance of the route. The new route through the Rocky Mountains is without doubt the most scenic in the Amtrak system and allows us to provide

direct service to major ski resorts and recreational area in the West.

The Corporation also substituted dedicated bus service in Florida for rail service between Tampa and the St. Petersburg/Clearwater area, which will reduce our operating costs by $1.3 million annually. The service change has eliminated the circuitous 47-mile trip around the bay which previously was scheduled up to one hour and forty-five minutes. Passengers have accepted the new bus service which cuts travel time in half and still allows travellers to check their baggage and purchase tickets. Separate buses serve the St. Petersburg and Clearwater stations, which will remain staffed and fully operational, in addition to the cities of Bradenton and Sarasota, which are now both served directly by Amtrak for the first time.

The Amtrak Board of Directors has approved the extension of the "Missouri Mules," which operate between Kansas City and St. Louis, eastward to Centralia, Illinois, to connect with the "City of New Orleans," providing direct service south to New Orleans. We are projecting that the revenues generated by this direct rail link to the World's Fair from Kansas City and St. Louis will more than cover its incremental costs and will make a positive financial contribution to the system. Amtrak has also agreed to provide rail service under the 403(b) program from Mobile, Alabama to New Orleans, Louisiana during the World's Fair; this new service will be partially funded by the states of Alabama, Mississippi, and Louisiana. Agreement has also been reached with the State of Michigan for a 403(b) train

between Grand Rapids and Chicago. Finally, the State of North Carolina has also expressed a strong interest in initiating an additional state-supported route under the program in fiscal year 1985, and we are prepared to move ahead promptly with this whenever the State makes a definite affirmative decision.

Safety

In 1977, Amtrak's injury rate reached an all-time high of 13.7 lost time injuries per 200,000 manhours and represented a significant cost to the Corporation. Amtrak immediately commenced efforts to eliminate most injuries through improved training of employees and direct line management attention. These early efforts were reinforced in 1980 by a comprehensive system safety program, which has produced impressive results. Amtrak's average injury rate in fiscal year 1983 dropped to 4.3 lost time injuries per 200,000 manhours and, if the current trend continues through the end of fiscal year 1984, this number will be reduced to 3.3. Amtrak is on a comparable reporting basis with the nation's 12 largest railroads and is in direct competition for the Harriman Gold Medal for employee safety. My old railroad, Southern Railway, has won this medal three times, and I intend for Amtrak, too, to win it. This medal is awarded to the railroad with the lowest rate of lost time injuries in the industry.

Revenue Enhancement Program

Fiscal year 1985 marks the third full year in which we have placed a major emphasis on fully utilizing corporate

resources to generate additional revenues. These efforts will result in net revenues of $12 million in fiscal year 1984 and and an estimated $25 million in fiscal year 1985. These funds will be used to support our capital program and reduce our need for federal funding.

At the end of 1982, Amtrak agreed to lease to MCI on a non-exclusive basis the use of its right-of-way between Washington, DC and New York City for a twenty-year period for the installation of a fiber optics communications system. Part of the compensation was the free use of four fiber pairs built to Amtrak's specifications. This communications capacity has enough circuits to meet all of Amtrak's communications needs between Washington and New York, plus additional communications for resale. Amtrak anticipates it will save approximately $1 million a year in communications costs from its use of the free circuits and, in addition, will generate another $3 million a year in revenues from the resale of surplus circuits. This segment of the communications system is scheduled to be completed and in service by this Summer, and we are pursuing other lease agreements for fiber optics communications applications that will provide additional revenues in fiscal year 1985.

Amtrak is also a subcontractor for Breda, an Italian car manufacturer that is supplying the Washington Metropolitan Area Transit Authority with 294 rapid rail vehicles. The Corporation is assemblying the vehicles at its Beech Grove, Indiana maintenance facility and also performing modifications under contract for other Breda sub-suppliers.

Projected fiscal year 1985 revenue from the project is $3.7 million. The Corporation plans to continue to pursue the overhaul of commuter agency rail and rapid transit equipment but only to the extent needed to fully utilize our repair shops and to maintain the highly trained workforce that we have assembled. Amtrak does not use public funds to subsidize these efforts and employs an independent accounting firm to audit these projects upon completion in order to ensure that we segregate and properly attribute all associated costs directly to these projects. As you know, the General Accounting Office (GAO) conducted a thorough study of our revenue enhancement program which was released on October 14, 1983. The GAO concluded that Amtrak's accounting system, as verified by independent audit enabled the Corporation to segregate revenue enhancement projects from all other activities and that Amtrak is complying with the guidelines established by Congress.

The Corporation is continuing to pursue opportunities that will generate long-term revenues, and one of the most promising is cogeneration of electrical and steam energy. Amtrak will begin construction of its first cogeneration plant in New Haven, Connecticut in order to provide steam and electric energy at a lower cost for our own facilities and to generate additional revenue through the sale of excess energy to other entitites. The New Haven facility will produce $4 million in additional revenues during its first full year and will become operational in fiscal year 1985. The Corporation is also exploring the feasibility of constructing a joint facility in Philadelphia with the University of Pennsylvania.

Amtrak believes that there is significant revenue potential in the provision of track renewal and rail welding work for commuter agencies and others. Subject to contract approval by the Urban Mass Transit Administration, Amtrak will undertake approximately 32 miles of track renewal work for the Southeastern Pennsylvania Transit Authority (SEPTA) over the next six months using its track laying system and rail welding plant. Amtrak will pursue additional track renewal projects in fiscal year 1985.

Overhead Highway Bridges

There are more than 600 bridges that were constructed to facilitate vehicular and pedestrian traffic over Amtrak rail lines in the Northeast. The majority of these bridges are maintained by the responsible state highway authorities at their expense. However, there are approximately 200 bridges for which neither Amtrak nor the states will accept responsibility. A stalemate has ensued and, as a result, the bridges have deteriorated to the point where their condition impedes local traffic and is potentially hazardous to rail service in the Northeast.

Congress is well aware of this problem and has indicated on a number of occasions that these bridges do qualify for federal funding under the Bridge Replacement and Rehabilitation Program of the Highway Safety Act of 1982. In fact, many of these bridges are listed in the states' respective bridge inventories which are used by the Federal Highway Administration to apportion bridge funds among the 50 states based generally on the number and the condition of

the bridges it includes in its inventory. Despite the availability of funding through the Federal Highway Administration, states are still demanding that Amtrak contribute a significant share for the repair and rehabilitation of these bridges. The question of liability is often the subject of lengthy disputes between Amtrak and the states and local communities, frequently in the context of public utility commission determinations that emergency repairs must be made. In these proceedings, Amtrak has been ordered to pay as much as 80 percent and as little as 5 percent of the cost to reconstruct these bridges.

In order to put an end to this stalemate, Amtrak is prepared to agree to fund 10 percent of the cost of the reconstruction and replacement of these bridges, which would be applied to reduce the 20 percent local share that states are required to provide under the Bridge Rehabilitation and Replacement Program administered by the Federal Highway Administration. I understand that FRA will submit for the record a copy of a letter from Ray Barnhart, Administrator of the Federal Highway Administration, to Federal Railroad Administrator John Riley endorsing this approach, which we believe provides a reasonable balance between Amtrak's interests and those of the states.

Government Travel in the Northeast Corridor

In 1979 Amtrak offered a 20 percent discount to federal employees traveling on its Metroliner service in the Northeast Corridor in exchange for the General Services Administration's (GSA) mandating the use of Amtrak for

official travel within certain Northeast city pairs. Because of the success of the GSA/Amtrak program, GSA also began soliciting competitive bids from the airlines for selected city-pair contracts in October 1980. Amtrak was allowed to bid competitively on these contracts and, as a result, it was awarded all contracts for travel within the Northeast Corridor except Washington-New York which was awarded to a low cost air carrier. Amtrak was allowed to compete the following year as well, but in May 1982, Amtrak was informed that it would not be allowed to bid as the contract was being amended to include "air carriers only."

While some federal employees continue to make use of Amtrak services in the Northeast Corridor, there has been a drastic reduction in government travel on Amtrak since 1982. Amtrak is working closely with the Federal Railroad Administration to implement policies at the Department of Transportation that will encourage DOT employees to use rail passenger service for work-related trips in the Northeast Corridor. Amtrak is competitive with air carriers in the Northeast in terms of cost, trip duration and frequency measures, and superior in dependability. Accordingly, we will also pursue the mandated carrier issue further with GSA in an effort to participate in the next bid award which is scheduled for October 1984.

ATTACHMENT 1

FY 1985

REVENUE & GRANT ESTIMATE
($ Millions)

Allocation of Requirements and Resources to Operations and to Capital

		2/9/84 Amtrak	2/2/84 FRA
(1) Revenue		$ 873	$ 873
Less - Revenue Enhancement Allocated to Capital	$25		
- Interest Income on Funds Allocated to USRC	2	27	27
(2) Net Available for Operating		846	846
(3) Funded Expense		1,505	1,505
(4) FY 85 Operating Grant [Line(3) less Line(2)]		$ 659	$ 659
(5) Labor Protection		$ 2	$ 2
(6) Total Operating & Labor Protection Grant [Line(4) plus Line(5)]		$ 661	$ 661
(7) Capital Funds Required		121	121
Less Other Funding:			
Revenue Enhancement Proceeds (Assigned to Capital)		-25	-25
FY 82/FY 83 Savings		-4*	-24*
FY 84 Savings		-23	-23
NEC Purchase Funds		--*	-4*
E-60 Sale		-6	-6
Jobs Bill		--*	-20*
(8) Total Other Funding		$ -58	$ -102
(9) Capital Grant Required [Line(7) less Line(8)]		$ 63	$ 19
(10) Total Grant Required [Line(6) plus Line(9)]		$ 724	$ 680

* Only items on which Amtrak and Administration differ as to Congressional intent.

ATTACHMENT 2

National Railroad Passenger Corporation
FY85 Capital Plan
($ millions)

Rolling Stock	$29	
Maintenance facilities	22	
Stations/OBS	19	
Support facilities	15	
Right of way	36	
Program totals		$121
Less: Revenue enhancement		(25)
Savings from 1982-84		(27)
Sale of Surplus Locomotives		(6)
FY85 capital grant requirement		$ 63

Note: The two million reserved for construction of the Westside Connection is not included in the FY85 Capital Plan because these funds will not be committed until additional required funding from New York State has been assured. If this occurs, the Capital Plan will be amended to authorize prompt commitment of these funds.

FY85 CAPITAL PLAN
($ MILLIONS)

Rolling Stock		
Amfleet - Dual Brake	3.0	Complete last phase of program to increase wheel tread life and reduce maintenance costs.
- Suspension	3.0	Modify/replace suspension system to improve ride quality.
Turbo	5.0	Continue modifications of turboliners and upgrade with Turbo XII engines and improve efficiency. Program contingent upon implementation of successful tests.
Baggage Cars	4.0	Continue program to acquire corridor speed baggage cars for operations in the Northeast Corridor.
Equipment modifications	10.7	Modify and/or HEP-convert equipment for peak requirements and service expansion.
Locomotives	3.0	Continue program for engineering and component testing for enhanced locomotives.
Other	.3	Replace agel communication sets and meet new cab safety standards.
Subtotal	29.0	
Maintenance Facilities		
Los Angeles	10.5	Multi-year programs to modernize car and locomotive servicing and maintenance facilities: allow for future growth, increase efficiency, and improve equipment availability.
Sunnyside Yard	5.0	Multi-year program to improve safety and efficiency at car and locomotive facilities.
Beech Grove	1.0	Improve facilities to increase productivity and equipment availability.
Pollution Control/Energy	2.0	Various projects for safety and efficiency, and comply with federal and local laws.
Other	3.5	Other improvements: Boston car washer and warehouse, shop tools, and emergency road equipment.
Subtotal	22.0	

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FY85 CAPITAL PLAN--Continued

Stations/On-board Services		
Penn Station/30th St. Station	11.2	Develop Penn Station (approval in FY84) and 30th Street Station to improve operations and generate commercial revenue.
Other Station Improvements	5.0	Improve service quality and provide for handicapped accessibility.
Commissary/Crew Base	3.0	Potential requirement for Sunnyside Commissary in conjunction with the total yard improvement program.
Subtotal	19.2	
Computer/Other		
Computer Systems/Equipment	9.4	Improve Data Center operations through equipment enhancement to increase efficiency.
Revenue Enhancement	4.0	As needed to continually improve revenues.
Other	1.7	Provide for new 403(b) services, 30th Street Station relocation needs, and replace aged copying/mail equipment.
Subtotal	15.1	
Right of Way		
NEC Spine	22.0	Provide upgrades to NEC Spine, Harrisburg and Springfield tracks, communications and signal systems, electrical traction systems; building and bridges. Includes $13.0 for CETC.
Harrisburg Track	4.0	
Springfield Track	4.0	
Michigan District	1.7	Continue upgrade to provide smooth, reliable service and maintain maximum speed of 79 mph.
Empire Division	1.0	Miscellaneous improvements for safety, especially in bridges and buildings.
Track Equipment	1.0	Multi-year program to replace aged equipment which has exceeded useful life. Reduce down-time and maintenance costs.
Vehicles	2.0	
Subtotal	35.7	
TOTAL	121.0	

STATEMENT OF BIRCH BAYH, CHAIRMAN, AMTRAK JOINT LABOR/MANAGEMENT PRODUCTIVITY COUNCIL

During the most recent series of negotiations, Amtrak and labor organizations representing its non-operating employees agreed to initiate a joint effort to improve Amtrak's productivity. This effort is known as the Joint Labor/ Management Productivity Council.

The primary goal of the Council is to involve employees and managers, at all levels of the Corporation, in a cooperative process aimed at providing the nation a safe and reliable passenger rail system. The Council supports the improvement of Amtrak's financial performance in order to reduce the need for federal subsidy and enhance the job security of all employees.

The Council has been active for only a year but has already begun making recommendations that are expected to improve Amtrak performance. Subjects that have received early attention include:

Discipline and grievance proceedings
Work site improvements
Incentives to improve personal performance
Mail and express

The Council has initiated five experimental programs in specific locations nationwide aimed at reducing the frequency and administrative cost of discipline and grievance proceedings. Amtrak and labor organizations spend thousands of hours each year resolving these disputes, often in complicated and expensive proceedings. Labor and management Council members believe that many of these matters could be resolved more quickly and less expensively at the local level through better informal communication. Early results from the five experimental programs are encouraging.

The Council has also evaluated individual work sites in four locations. The objective of these evaluations has been to identify where physical improvements would reduce the amount of non-productive time and promote increased quality and quantity of output. An example of a Council proposal concerns Amtrak's Chicago maintenance of equipment facility where obtaining repair parts has been somewhat time consuming. The Council recommended and Amtrak has implemented relocation of frequently used, low value parts like nuts and bolts from stock rooms to bins at the work site. The stock room issuing process has concurrently been expedited.

Several local task forces have studied incentives for improving personal performance. Their recommendations have included the need for recognition for exemplary performance, additional general and technical training, doing more work in-house and improved communication.

The study of mail and express focuses on the need for improved security for express parcels. Improvement in security will improve express service quality and enable Amtrak to compete more effectively thereby increasing revenues. This study is still underway. The Council was also instrumental in expediting Amtrak's "Limited Value Release" Program which enables authorized employees to purchase inexpensive emergency material locally without the need for an elaborate procurement process.

Amtrak is pleased with the early results from the cooperative process particularly at the local task force level. Upon request of the Council, the Corporation therefore financed a training program for 30 labor and management facilitators. These employees will work with local labor/management task forces to identify further areas for improvement and help them to formulate their proposals. It is from concentration on the local level where labor and management are most familiar with the work that the greatest benefits are expected to be obtained.

LETTERS FROM JAMES L. LAROCCA, COMMISSIONER, NEW YORK STATE COMMISSION OF TRANSPORTATION

Mr. W. Graham Claytor, Jr., President
Amtrak
400 North Capitol Street, N.W.
Washington, D.C. 20001

MAR 0 8 1984

Dear Mr. Claytor:

I thoroughly enjoyed our recent meeting and the opportunity to discuss with you the rehabilitation of the West Side Line which will improve Amtrak's service in the State of New York.

As you know, this project will provide substantial benefits to travellers and commuters in New York State as well as elsewhere along the Northeast Corridor. Residents of the Hudson River Valley and Upstate New York areas will be able for the first time in history to have direct rail service through Penn Station to and from Southern New England and points south of New York. In addition, there will be available direct connections between Hudson Division trains and Long Island and New Jersey commuter lines. Other benefits include a lessening of vehicular traffic in Manhattan between Grand Central and Penn Stations, energy savings from increased rail ridership, jobs that will be created in the New York Metropolitan Area, and the overall convenience of taking Amtrak, particularly for the elderly, handicapped, and those who cannot afford other means of transportation.

As I understand it, Amtrak is proceeding with the necessary steps to ensure that the project is completed in accordance with the timetable previously discussed with New York Department of Transportation. I want you to know that I fully appreciate your efforts in this regard.

As first indicated in my May 27, 1983, letter to you, NYSDOT endorses this project and encourages its completion at the earliest possible date. We want you to know that we will assist you in every way we reasonably can, including joint efforts to secure funds.

Thanks again for your cooperation. We look forward to working closely with you in the next few months.

Kind regards.

Sincerely,

James L. Larocca
Commissioner

March 23, 1984

Mr. W.G. Claytor, Jr.
Chairman & President
National Railroad Passenger Corporation
400 North Capitol Street, NW
Washington, DC 20001

Dear Mr. Clay[illegible]

This is in response to your request for additional information with regard to the possibility of State assistance in the financing of the direct connection to Penn Station from the Amtrak services serving Upstate New York, Montreal, Toronto and Chicago. I am providing this information for your use should it be relevant to questions that may be asked at the Senate Appropriations Committee hearing on March 27 and House Appropriations Committee hearing on March 29.

Since my meeting with you, I am pleased to report that New York City has agreed to bear a significant share of the financial obligations of the Rail Program in the New York City Metropolitan area. This is a $21½ million share of a major, nearly $60 million, rail freight project in the South Bronx that will result in improvements to Amtrak operations serving Grand Central Station. With this fiscal pressure off the State Rail Program, it has been suggested that funds provided by the voters of New York in the recently approved Rebuild New York Bond Act could now be made available to the rail project on the West Side of Manhattan.

As you know, the current Legislative authorization and the memorandum of agreement with the City of New York do not now specify the Amtrak connection project; however, rail passenger projects such as this are eligible as infrastructure projects in the enabling legislation. I am willing to suggest to the City of New York and the State Legislative leadership that they jointly consider allocating funding to share with Amtrak in the construction of this important project. The timing of this process will not enable me to give you a commitment in time for your testimony before Congress. The discussions that need to take place with the City of New York and the Legislative leadership will have to be deferred until after the State budget is in place on April 1. However, I think we can provide you with a decision within the State Legislative session.

In the meantime, we are hopeful that progress will not be lost in advancing this project. It is urgent that Amtrak continue to take advantage of the construction opportunities currently available because by doing so there will be substantial savings resulting from sharing with already-ongoing State-financed commuter rail projects in the high cost of disruption of utilities and streets in Manhattan. The Amtrak tunnel must be under construction now in order to benefit from the parallel Long Island Rail Road tunnel construction. Plans are ready, and this can be done.

In closing, I would appreciate it if you would make the Congressional committees aware that progress made to date by Amtrak in New York State was made possible only by savings resulting from already-ongoing commuter rail investments in Manhattan. Had the State of New York not advanced the commuter car storage yard for the Long Island Rail Road with 100% State funds, it would not have been possible to construct the Amtrak tunnel approaches to Penn Station which are now completed, or make possible the planned construction of the Amtrak tunnel

under 10th Avenue at the same time as the Long Island Rail Road tunnels are built. The Committee should recognize that New York's commitment to assisting Amtrak is deep, of long-standing and without parallel. The State has already expended nearly $100 million in capital investments for Amtrak use between New York City and Schenectady and the State has been reserving an additional $20 million of funds for extension of our high speed rail program West from Schenectady to Buffalo. No other state has made such contributions to Amtrak. Finally, in informing the Committee members of New York's unique capital investments in intercity passenger services, I believe they should be advised of the Adirondack passenger train situation. Besides the very large capital investment in track and signal improvements north of Albany, these trains continue to be subsidized by the State, despite the fact that their usage exceeds the route and service criteria and over-perform a number of basic system trains as an integral part of a national network, and with their usage levels, we believe the Adirondack passenger trains should be incorporated in the national system.

As nearly one-third of all Amtrak's national ridership originates or terminates in New York City, completing a unification of station services in that City has got to be considered a top national priority. I very much appreciate your leadership on this issue.

Kind regards.

Sincerely,

James L. Larocca
Commissioner

ROUTE PERFORMANCE

Senator ANDREWS. Thank you. It is good to have you here. It solves one of the problems Senator Chiles and I have so often when we go to the agency and we have to ask them what did you request of OMB before OMB cut you back to what the administration wanted you to have. This is one of the few agencies to come up and testify in front, and save us the tedium of asking all of those questions.

On February 23 in front of the committee, Secretary Dole said that the fiscal year 1985 request will fund the entire system. Have you done any assessment, preliminary or otherwise, as to what your proposed performance standards would do to the existing system?

Mr. CLAYTOR. Our proposed performance standards—actually we have not proposed new performance standards as such. We have agreed with some that have been suggested by the FRA. Those standards would not adversely affect the existing system.

Senator ANDREWS. OK. Can you share, then, with the committee at this time the results of your analysis for the existing system?

Mr. CLAYTOR. They have been submitted, Your Honor—Mr. Chairman. I am too used to being in court. [Laughter.]

Senator ANDREWS. This is not exactly an honorable profession, according to the newscast, but I appreciate your approbation. I know Senator Chiles does as well.

Mr. RILEY. Senator, while Graham is going through his index, I had the advantage of going through mine while he was answering. Our analysis—and I am sure that it will be the same as Amtrak's—shows that no routes which pass the current criterion would fail the new criterion.

Mr. CLAYTOR. That is right.

Mr. RILEY. There is one route, the Mt. Ranier, which is a short-distance train, that is failing the current criteria and would also fail the proposed criteria, and the hope is that we can take actions that would enable that train to pass both.

Senator ANDREWS. And could you provide for the record the new performance standards and their associated——

Mr. CLAYTOR. Yes; we have those and we will provide them for the record.

[The information follows:]

BASIC SYSTEM PERFORMANCE CRITERIA

Short Distance	1979	Inflated to 1984	Inflated to 1985	Admin. Proposal
PM/TM	80	80	80	No PM/TM
Loss/PM	.09	13.7	14.5	.10
Long Distance				
PM/TM	150	150	150	No PM/TM
Loss/PM	.07	10.6	11.2	.08

Current legislation requires loss per passenger mile adjusted each year for inflation in order to reflect constant 1979 dollars.

PROPOSED PERFORMANCE CRITERIA

House Version (H.R. 3648)

1. The bill does not modify the criteria for long and short distance trains.

2. The bill establishes criteria for 403(b) service and imposes a minimum PM/TM of 60; and a maximum short-term avoidable loss of 6.5 cents for FY-1984, which would be adjusted for inflation in subsequent years to reflect constant 1984 dollars. Service must fail both criteria.

3. The bill also established a maximum short-term avoidable loss/PM of 11 cents in FY-1984 for 403(d) service, which would be adjusted for inflation in subsequent years to reflect constant 1984 dollars.

Senate Version (S. 1117)

1. The bill does not modify the cost criterion but eliminates the PM/TM requirement for short and long distance trains.

2. The bill imposes no criteria for 403(b) service.

3. The bill would require 403(d) service to meet the existing cost criterion for short distance trains which is 13.7 cents in FY-1984 and repeals the requirement that 403(d) service meet the short distance PM/TM criterion (80 PM/TM).

Administration's Version — Beginning in FY-1985

Short Distance

PM/TM	Propose elimination of PM/TM.
Loss/PM	.10 constant 1985 dollars

Long Distance

PM/TM	Propose elimination of PM/TM.
Loss/PM	.08

1. For 403(b) the Administration proposes that state and local governments gradually assume full responsibility for funding. Existing services would be phased in beginning in FY-1986. The state share would increase from 65 to 70 percent in FY-1986 and an additional 5 percent each year thereafter. Amtrak supports this proposal.

2. For 403(d) the Administration would mandate a gradual transfer of funding responsbility for these services. Amtrak has supported the proposals on 403(d) in the House bill.

ADDITION OF NEW ROUTES

Senator ANDREWS. Do you have any plans to add any trains to either the basic system or in the 403(b) area?

Mr. CLAYTOR. Yes, sir. Our Board of Directors has approved the commencement of one new train in April. This is the rather short operation between St. Louis and Centralia, Ill., which will make it possible, with existing service, for us to run through service for the first time from Kansas City and St. Louis through Centralia to New Orleans. We are satisfied that that service will, in fact, cover more than its short-term avoidable loss and will therefore improve our revenue-to-cost ratio, rather than increase our need for subsidy.

ADDITIONAL SERVICE

Senator ANDREWS. Have you been asked to look into other possibilities of adding service?

Mr. CLAYTOR. Yes; and we are doing so at frequent intervals, Mr. Chairman. Even in spite of requests, we are always looking at possible changes of route and possible new service to see if we can find one that, without 403(b) assistance, we can cover with the revenues.

The ones we have studied most intensively are several routes through Oklahoma, from either Kansas City or Newton, Kansas through Oklahoma City and Tulsa, down to Fort Worth. We were quite anxious to be able to show that this could cover costs, because we think the people

down there want that service, but we found that even the best of those services would result in significant additional short-term avoidable losses, and therefore additional subsidy.

As a matter of policy, we have not gone forward with any new route which requires an additional subsidy. Oklahoma is an ideal situation, however, for a 403(b) train, and we have suggested that we would encourage the State to consider a 403(b) request.

Now, you asked also about 403(b) trains. We have agreed to run a train from Mobile to New Orleans under section 403(b) with support from the States of Alabama, Mississippi, and Louisiana. That train is at present planned to be operated for the duration of the New Orleans World's Fair. Whether it will be continued beyond that will depend, of course, upon the performance and also upon whether the three States wish to apply for continuance.

We understand that the State of North Carolina is seriously considering an application for a 403(b) train that would run from Richmond, Va. through Raleigh, Greensboro, and to Charlotte. We have studied that and it looks as if it meets all necessary criteria for such a train, so that if they formally request us to do so, we anticipate that that train will be operated.

We have also recently agreed—the Board at its last meeting accepted a request by the State of Michigan to operate a new 403(b) train from Grand Rapids to Chicago, and we hope to have that started some time this summer.

I think those are the principal items, Mr. Chairman.

AMTRAK CAPITAL PROGRAM

Senator ANDREWS. Mr. Riley, as you know, Mr. Claytor outlined the areas of disagreement between you and the Amtrak group of the capital program. Now you get your chance.

Can you tell the committee why you think the offsets you indicated are valid against the total capital program that you agreed to at $121 million?

Mr. RILEY. I would be glad to, Senator. And I would split them into two parts. I would consider the $4 million an offset. On the two $20 million numbers, I do not think the issue is so much whether the funds should be offset, but whether these projects should be included in this year's capital project list.

Now, on the $4 million, Amtrak was given an appropriation to make certain Northeast corridor purchases. As it turned out, the money appropriated came in $4 million above what they needed to make the purchases. So that money is being held in an account at this point.

It is our view that, in light of the massive deficits that we all have to deal with, rather than hold that money in an account on the contingency that future purchases might be made, it should be applied to this year's capital need, and then if future purchases should be desired by Amtrak, they can come back and make that part of their normal capital budgeting process. It is really a timing issue. Should the money be held

for a contingency, or should it be used now with the prospect that we face that contingency when it arises? We think that is just good fiscal management.

Second, with respect to the first of the two $20 million projects, the West Side Connector, I am in complete agreement with Graham on the importance of the West Side Connector as a project. However, it is our view that the project should be part of Amtrak's fiscal year 1985 capital plan. There are literally an almost infinite number of potential investments one could make in a national railroad passenger system, and the decision on how far to go in any given year is somewhat founded on knowledge and somewhat arbitrary in any case. And having been through this now for a year, I believe that.

We believe that the committee's instruction that the project should be included in the capital budget and funded from past savings both point in the direction we have indicated. What Amtrak is arguing, in effect, is that they should put together a new capital plan in which the West Side Connector does not fall on last year's plan but does fall on this year's plan, and therefore, comes around as an add-on to the two capital budgets that have been presented to the committee.

All that we are saying is that we view the committee's intent as directing Amtrak and this Department to place those projects which have been selected as priority projects by Amtrak into this year's capital budget, to fund them as part of this year's capital budget, and be used as carryover funds available to contribute toward that funding. We do not believe that this would create significant problems and deferral of other investments.

It is amazing, Senator. I think this is probably the closest that Amtrak and the Department have ever come on a budget, and I cannot say enough about the cooperation we have gotten in this regard.

OPERATING SAVINGS APPLIED TO CAPITAL

Senator ANDREWS. Part of the offset against the capital program is made up of an estimated $23 million, fiscal year 1984 operating carryover. What is the likelihood that this estimate could be higher or lower?

Mr. CLAYTOR. Mr. Chairman, I think that one probably is for me.

My feeling about that is the following: That is already a figure that is in excess of what we had—our best judgment and FRA's best judgment a few months ago. What we have remaining in our budget is a very optimistic estimate of the revenues this summer. I do not think those revenues will significantly exceed that.

So we think that this is about the most that we should subtract if we are going to come out whole. Now, in the past year, I have on several occasions—at least one occasion that I recall—said to this committee that, when we found toward the end of a fiscal year and before the appropriation had been passed that we were doing better than expected, and we were saving more money, we have suggested that you could cut our appropriation accordingly.

I would undertake to do that again this year. Prior to the final action on the appropriation, if we find that this $23 million will be exceeded, I will be happy to submit to the appropriate committees of both Houses my recommendation that the appropriation be accordingly reduced by that amount.

Mr. RILEY. Senator, there is a fail-safe mechanism on this. The Appropriations Committee has put language in the past appropriations bill directing that any Amtrak operating savings carryovers go immediately into the capital budget.

Now, I have taken the position that whenever that occurs, those funds will not be a windfall capital appropriation to Amtrak, but rather will be offset against the next year's capital budget, so that in all cases this funding does inure back to the Federal Government.

That is sort of the gist of my position on the offsets also. You see, in our view, what Amtrak requests when they add the $20 million for the West Side Connector to the $121 million and add the $20 million jobs bill project to that, represents a $161 million capital budget. What we are saying to them is that we are in agreement with doing the West Side Connector and the jobs bill projects this year. What we have asked them to show us is that including that within the $121 million will force deferral of other projects that are essential to the system if done this year. If not done this year, they will harm the system by moving those out to the following year's capital budget.

So this and your last question really do tie together. It is how one manages these carryovers.

Senator ANDREWS. I know. That is why I asked the question. In Amtrak's budget justification is the disturbing caveat that there is some uncertainty regarding the budget request, because half of Amtrak's expenses are incurred for personnel.

Mr. CLAYTOR. That is right.

AMTRAK LABOR NEGOTIATIONS

Senator ANDREWS. And uncertainty exists regarding the impact of contract negotiations with railroad labor. What is the status of your contract negotiations with railroad labor, and when will the committee be apprised of those negotiations so adjustments, if necessary, can be made to your operating account?

Mr. CLAYTOR. Well, we have included in the inflation factor a modest amount for wage increases. The final notices have not been received from all the unions, but we can anticipate that there will be a substantial increase asked, and we assume also that some unions will request that the 12-percent reduction from the standard wages paid by other railroads will be terminated. We will oppose that. I feel that so long as Amtrak is being supported by the taxpaying funds, that 12 percent should continue. That may, however, be an issue in the negotiations.

There is no way to tell at what point these negotiations will successfully come to an end. In some years past, they have gone well into the subsequent year, and then have had to have a retroactive adjustment.

So we really cannot answer your question directly. I think no one can.

Senator ANDREWS. Well, you operate without firemen on the Northeast Corridor, but on the Burlington Northern trackage that goes through our part of the country, firemen are required. It is a cost-plus contract.

What do you do about your costs where other railroads operate Amtrak trains?

Mr. CLAYTOR. Wherever our trains are run by the crews or by the railroads pursuant to the contract between Amtrak and those railroads, the labor agreements that the individual railroad has are controlling. We have absolutely nothing to say about the labor contracts that they have.

Senator ANDREWS. So your negotiation on labor contracts has nothing to do with where you contract a whole operation with another railroad?

Mr. CLAYTOR. Oh, that is correct.

Our own labor contracts apply only to Amtrak's own employees. We do hope, as we go down the road, to extend Amtrak's employment to include the train and engine employees of our trains on other railroads. That will have to be done very carefully on a region-by-region basis and by negotiation with both the railroad and the union. It is not something that will take place suddenly. But I am hopeful that we will make progress there, as we already have, as I mentioned, with the Auto-Train.

Actually, on the Auto-Train, the solution is one that I think appears to me to be most likely for Amtrak trains elsewhere. There, we operate a train and engine crew for quite a long distance, about a 6- to 8-hour run. In order to run an engine for 6 hours on a passenger train continuously, you really need relief. You do not want an engineer running for 6 or 8 hours continuously—and the Auto-Train is a nonstop train—without anyone there to help him. So rather than have a fireman, who is really quite useless, we have two engineers, both qualified, and the two engineers spell each other on this long run. It is working extremely well, and I think that is the way that we hope to move with other trains.

Senator ANDREWS. But the point is, your railroad labor negotiations are not really in effect in a way to impact on those railroads where they——

Mr. CLAYTOR. No; our labor negotiations will concern only the train and engine employees on the Northeast Corridor, our Amtrak Auto-Train employees, and our nonoperating employees which are all over the country.

Senator ANDREWS. That is right. But your costs on the area where the other railroads provide this service are based on your negotiating a contract with that railroad entity to move your trains over so many miles of operation.

Mr. CLAYTOR. Yes; and those contracts uniformly provide that the railroad is to be fully reimbursed for whatever they have to pay the union. So the labor costs on other railroads will be determined by the contract negotiations between those railroads and the union.

Senator ANDREWS. Senator Chiles?

Senator CHILES. Mr. Claytor, last year when you appeared before the committee, you told us about your plans for resumption of the Auto-Train service between Sanford and Lorton. And at that time, you were projecting annual profits of $4 million and a ridership level of about 140,000 people.

The actual ridership through the end of January was about 14,200 for the 3-month period. Assuming that the ridership continues around that level, your yearly ridership would be less than half of what you had projected. But even though your ridership is below your projected figures—and now I understand that you are projecting profits to be about $10 million in 1985, substantially more than the $4 million that you had previously estimated, how is it we are going to have higher profits with less ridership?

Mr. CLAYTOR. Well, 1985 does not start for some months yet. And we are projecting about $1 million now, profit in 1984. I am very pleased with the way the service is going. What we have to do with the Auto-Train, though, is to try, by trial and error experience, how best to both price the service at different times of year and in different directions, and how best to advertise it.

Now, that is going to be an experience we have got to work with. It is quite clear to us, for instance, that we are going to—something we didn't do because we needed the experience—have to provide different fares and different incentives for traffic in the wintertime that is against the current; that is, northbound traffic early, and southbound traffic late in order to balance this out better. And I think we can do that. We are starting to experiment with that now.

In the summer we have an entirely different customer group than we do in the winter. The summer group—and we know this from the previous Auto-Train experience—the summer groups are almost entirely family groups going to Florida for a relatively short vacation and coming back. We are already in the process of promulgating a new fare system for the spring and summer which will provide significantly reduced round-trip fares for people remaining in Florida no more than 21 days. And I am quite sure that that is going to increase our ridership very substantially in that period.

We are going to be working on other approaches after the beginning of the year.

So I think we have to do this on a piece-by-piece basis. The Auto-Train has been very successful. We have been running it daily for about the last week or so, because the peak of people coming back from Florida is just hitting now. But I think what we have to do is to work this out as we go along, and I am quite satisfied that we are going to have a very successful service and it is going to be profitable.

Now, $10 million is the figure we operated on the assumption that we are able to generate enough two-way traffic to do this. I do not know whether it is going to be $10 million or $6 million or $8 million

or $12 million. This is a figure that one picks out when one is trying to—one makes certain assumptions and then one runs the figures.

The assumptions are going to have to be checked as we go along, and that is what we are doing. But I am very pleased with the way it is working so far.

Senator CHILES. You say that you are just hitting the peak now of people returning from Florida?

Mr. CLAYTOR. In the last 2 weeks.

Senator CHILES. That is surprising to me, because normally we think that people return after Easter.

Mr. CLAYTOR. Well, that may be. But we do this on the basis of our reservations, and in the last week—last of March, first of April, appeared to be the heaviest group for those returning.

Senator CHILES. Last of March and the first of April?

Mr. CLAYTOR. Yes. Now, it may grow later. It may come up after Easter, too.

FARE DISCOUNT FOR SILVER PALM

Senator CHILES. Mr. Claytor, as you know, we have a 403(b) train in Florida which provides daily service between Tampa and Miami. Last year in our Senate report, we urged Amtrak to initiate a fare discount program to help stimulate ridership of that train. A discount fare was put in place between September of 1983 and mid-November, and the State reports ridership increased by about 30 percent after the new fare was put in place.

By the end of December, after the termination of the promotional fare, the ridership actually dropped below the levels that had been experienced in the previous December.

I understand Amtrak did agree once again to put a new discount fare in place, and will continue through the end of May. The State has been concerned, however, that an advertising program was not initiated early this year to help let people know about the reduced fare and to help increase ridership.

Can you tell the committee if the new advertising program is in place now?

Mr. CLAYTOR. Yes; it is, and I think we have reached agreement with the Florida DOT on exactly how it is to be done and what it is to be.

REDUCING OPERATING COSTS

Senator CHILES. The Silver Palm revenues are only covering approximately 38.6 percent of the short-term avoidable operating expense for the train. The State of Florida is interested in attempting to reduce the cost of this train in order to improve the ratio. A number of cost reduction proposals have been suggested, including negotiating with labor unions to change to an hourly basis instead of a daily basis for crew wages, negotiating with the Seaboard Coastline Railroad to reduce on-time incentive payments, which total $379,000 a year, to the State out of their total expenses for the train of $1.1 million.

What kind of steps can Amtrak take to help reduce the costs for operating the Silver Palm?

Mr. CLAYTOR. We want to reduce the cost of operating all our trains to the extent we can, and we will take any step that is feasible. But there is no way we can do anything about labor costs, because Silver Palm train and engine crews do not work for us; they work entirely for the Seaboard Coastline under systemwide contracts.

The incentive payments again are payments that are systemwide in our contract with the Seaboard Coastline, and of course, I have no reluctance at all in suggesting to them that they might make an exception, but I cannot conceive of their agreeing to do it.

Senator CHILES. Well, it seems at some stage, as if the State may be deciding as to whether they are going to continue to fund this train or not——

Mr. CLAYTOR. Understood. That is right. That is always a problem in every State. Every State has that, and there are one or two 403(b) trains that have been stopped—I think one in California recently—because the State considered the losses were not worth continuing.

But I would hope that would not happen. I am very fond of the Silver Palm, and I think it is improving each year. Our experience is that this does not come suddenly. You must build it up. People have to get used to it.

I would like to see the State—and we will be talking to them about this—I would like to see the State add bus service to Bradenton and Sarasota, as we have done for our long-distance trains, and at the Tampa end of the line, coordinate with us by using the same bus stops that we use for our other trains. I think that would both help the cost and help the revenue.

But that is their choice, and we are going to be discussing that with them.

Senator CHILES. Fine.

BULLET TRAIN FEASIBILITY

Mr. Riley and Mr. Claytor, as you both know, the State of Florida is pursuing the development of a bullet train proposal that would link the population centers between Miami, Orlando, and Tampa. The Governor's office is going to soon submit to the State legislature the necessary enabling legislation to authorize a 40-year franchise agreement and to permit formal requests for franchise proposals to go out.

The State recently received a $500,000 contract from the Federal Railroad Administration to help develop formal criteria which could be used to evaluate the various franchise proposals. The State is also urging the Federal Railroad Administration funding to do further feasibility analysis on cost ridership and alternative routes which would help it evaluate the franchise proposal once they do come in.

As you know, the Office of Technology Assessment issued a study in February 1984 which essentially concluded that bullet trains in America would not be able to break even without significant government sub-

sidies. The State of Florida essentially concedes that the Office of Technology Assessment conclusion is correct, but feels that by granting development rights to the franchise operator, the additional income from these development rights would be adequate to help the franchisee make a profit.

Essentially, the Florida approach is similar to the way the Federal Government encouraged the development of the Transcontinental Railroad by granting large tracts of land to further help make the venture profitable.

I would be interested in the reaction of both of you gentlemen as to your views of the likelihood of bullet trains being feasible without Federal or State operating subsidies and whether you believe that adequate development rights could be granted to a franchise operator to make the venture possible.

Mr. RILEY. There are really two issues there, Senator. One is high-speed rail in general; the other is high-speed rail in Florida. And I was involved in that before I went to FRA, as well as after I got there.

Senator CHILES. Well, my interest, of course, is primarily Florida, but I think the record might be well to have the general question, too.

Mr. RILEY. First of all, the OTA study lays down the general principle that it is unlikely on most corridors that high-speed rail could be operated without some form of subsidy, and we have never quarreled with that. But I think you have to recognize that the OTA study did not attempt to study all specific corridors, it did not attempt to study specific technologies, nor did it conclude that high-speed rail could not be operated profitably on some corridors.

We do agree with its general conclusion. But we also believe that there are corridors in this Nation in which high-speed rail systems could amortize their costs in a short enough period of time to be self-financing or financing through some form of State and private joint venture.

FLORIDA FRANCHISE PROPOSALS

Now, as to Florida in particular, we have provided a $500,000 feasibility study grant to Florida, basically to develop benchmarks by which they can judge the franchise proposals, one of which comes from my predecessor, Mr. Blanchette.

We are informed that they will complete that work by late May or early June. We have not, to this point, received a request for additional fundng.

Now, the State has proceeded under the assumption that they will have to supplement the revenue of this line in some way. The mechanism they have chosen, rather than by going to appropriation subsidies, is to grant the development rights. I think this has a great deal of potential to provide a mechanism by which a gap between anticipated revenues and costs could be filled. There are others. But I think Florida has gone the right route in attempting to make a scholarly analysis of what the technology could produce in their environment, to study the economics of their corridor in particular, and to create a fallback or a

fail-safe provision that would make up for an operating shortfall if one occurred. I think they are a model for what other portions of the country and other corridors should be able to do.

There are some of the franchise seekers who do believe that the system could meet its own costs in that corridor. There are others who do not. But to provide that kind of a mechanism, it seems to me, says a lot about the seriousness with which the State wants to pursue this.

I personally believe that you will see high-speed rail systems in many parts of this country in our lifetime. Because they benefit relatively short corridors and single States, they are likely to be developed by States or State and private ventures, and the creativity with which those ventures act is the key to the quickness of the evolution of this transportation form in our country.

That is my view on it, Senator. I would be glad to pass to Graham.

Mr. CLAYTOR. Senator, to me, the problem is not so much the cost of operating this system. It is the problem of providing enough revenue to get a return on the investment. How do you get the capital investment in it?

I suspect—I believe in Florida, and I believe in most of the places that have been seriously considering high-speed rail—that once the system is built and operating, it can cover its operating costs. But the initial capital cost of building a new railroad system across the State is extremely high. And the problem is the ability to generate enough revenues, not only to cover your operating costs, but to provide—to cover your capital costs; in other words, provide a return on investment.

EUROPEAN AND JAPANESE SYSTEMS

Now, the European and Japanese systems, in my opinion, generally speaking, disregard that factor. The Government builds the railroad, and then it runs at a profit. But they do not include in that, generally speaking, a return on investment.

In this country, that is pretty hard to do unless the Government is going to go and put the money in. If you can raise the capital funds by this franchise system, then if it is built, I think you can probably run the railroad and have it self-supporting. I am not enough of a financial expert and have not studied this enough to have a judgment on the feasibility of raising funds this way, but it sounds good to me, and I agree with Mr. Riley, that I think it is an original approach and certainly ought to be studied hard.

AMTRAK AUTHORITY OVER BULLET TRAINS

Senator CHILES. As you know, current law, Mr. Claytor, gives Amtrak monopoly rights over any route which the corporation performs scheduled intercity passenger service. For any other operator to provide passenger service over a route serviced by Amtrak, Amtrak would need to grant its permission in order for that service to be provided.

Mr. CLAYTOR. Yes, sir.

Senator CHILES. If the bullet train does not follow a route currently used by Amtrak, what is your view as to whether or not Amtrak would still insist on approving such service?

Mr. CLAYTOR. I think the way I read the statute is that it is—you do not have to run over the same rails; if you run between the same end points, the law would apply. And I think it is important.

We have adopted a policy of cooperating in every way with any proposed high-speed rail operation, and we have in fact granted a franchise to the one in California. It is the only one far enough along to request it. And we have indicated to everyone that we would be willing to work with them. I think that Amtrak provides an excellent method for making certain that these are properly coordinated.

For example, if you had one in Florida, you would want interline tickets, you would want interline reservations, you would want that sort of thing which we could provide. And in working out the franchise, we would work it out in such a way as to do that.

I do not think it would be a detriment to the operator. I think it would be a benefit.

Senator CHILES. You have granted a franchise in the west coast?

Mr. CLAYTOR. San Diego/Los Angeles. That is right. The only one that has been requested.

Senator CHILES. Was that over the identical route of Amtrak or not?

Mr. CLAYTOR. No; not the same tracks. In fact, none of these would be, because I do not think you can run a high-speed train over the freight tracks that we operate over.

Senator CHILES. Was it over the same right-of-way?

Mr. CLAYTOR. No; not even the same right-of-way, but it is the same end points, San Diego to Los Angeles. Yes; it may or may not be on part of the right-of-way, but since we do not own the right-of-way anyway, that would not really make much difference.

Senator CHILES. The way you read the law, it is where you have the same end points?

Mr. CLAYTOR. That is right.

DISCONTINUED RAIL SERVICES TO PINELLAS COUNTY

Senator CHILES. Mr. Claytor, it seems that you and I have been discussing the proposal to discontinue rail service to Pinellas County for over 2 years now.

Mr. CLAYTOR. Yes, sir. In fact, we instituted that on February 1.

Senator CHILES. This change was made on February 1, and the entire delegation has gone on record in opposition to that. We now have approximately 6 weeks of experience with the change in service, and instead of the Pinellas County residents getting used to the change, as some indicated they might, they seem to be getting more intent on having the train service restored.

As you know, the House recently passed the Amtrak reauthorization bill which directed Amtrak to reinstate passenger rail service to Pinellas County. One of the reasons that the Pinellas County officials that I

have talked with are more up in arms now than they ever were is the Amtrak ridership in Pinellas County has dropped off. Figures given to me by the county commission indicate that ridership declined in February by 48 percent compared to February in 1982.

If this level of decline is accurate, and if you could expect that level of reduction for the entire year, the loss of revenue based on an average Pinellas County fare of $67.38 would be approximately $1½ million on an annual basis. In other words, we would lose $200,000 a year because of the service change.

I understand that your figures are showing about a 39.3-percent loss of ridership in Pinellas County comparing February of this year to February of last year. If this loss of ridership continues throughout the year, then the loss would be $1.2 million a year for a savings from the service of only $100,000. It would hardly seem worth the trouble for the savings of that.

In both cases, the point needs to be made that Amtrak will incur a $1.5 million one-time capital cost as a result of the service change because it is going to need to build a car wash and maintenance facility in Tampa.

In view of the possibility that your projected savings are not going to materialize and in view of the extra expense that you have to incur to build this new carwash and maintenance facility, have you begun to reconsider your position on this?

Mr. CLAYTOR. No, sir. And I would like, Senator, if I may, to submit for the record a summary of——

Senator CHILES. You may still be wrong, but you are not in doubt, then.

Mr. CLAYTOR. No, sir. And I do not think I am wrong, Senator, and I think I can show that. I would like to submit for the record Tampa/St. Petersburg capital and operating costs which are the current figures which show that our net operating savings should be $1,249,000 which is pretty close to the $1,300,000 that we originally projected. We always understood that we were going to have to spend a one-time capital cost here of $1½ million. And, as a matter of fact, after studying the matter further, we find that if we stayed in St. Petersburg, we would have to spend half a million dollars there over the next few years because those facilities are in such bad shape. But that is a one-time capital cost, and the $1,250,000 is every year.

PASSENGER COUNT ANALYSIS

I would also like to submit for the record, Mr. Chairman, a Tampa Bay passenger count analysis which we have done on the basis of the month of February, which are the only figures that we actually have.

Now, Senator, the 39 percent is the comparison of the people who got on the train, long-distance passengers who got on the train in Pinellas County in February 1983, versus the long-distance passengers who got on the buses in February 1984. A signficant number of those people drove to Tampa and took the train, so we maintained the same revenue.

In addition to that, in February 1984, the general passenger count from Florida passengers went down about an average of 17 percent over February the previous year. Part of that is due to airline competition in the area and part of it is due to the fact that our All-Aboard America fare last year had just been introduced, with a good deal of publicity, and had a round-trip from the northeast of $125. This year it is $175. And that reduced the people.

Orlando, the traffic went down 21.4 percent between the 2 months. So a signficant amount of this reduction has nothing to do with the change. Our memo shows that if we take all the long-distance passengers out of the Tampa Bay area in February 1983 versus February 1984, the reduction was 16.8 percent or a little less than 17 percent, which is less than the average reduction in other Florida cities. So we did not have any effect.

And this memorandum spells that out in detail. And with your permission, I would like to put that in the record, and I hope you will look at it carefully, sir. I have been over this with your staff.

Senator ANDREWS. We will put it in the record at this point.

[The information follows.]

TAMPA-ST. PETERSBURG CAPITAL AND OPERATING COSTS

The final estimates presented at open meetings of the Amtrak Board of Directors were:

1. One-time capital costs (CAR 83-122) $1.5 million

2. Annual Operating Savings $1.3 million

(1) Actual net capital costs attributable to this change now appear to be only $1.0 million, because $500,000 would have had to be spent on repair or replacement of trackage and facilities at St. Petersburg if these had been continued to be used.

To this should be added some $681,000 of one-time payments to surplus employees retired because not needed at new improved Tampa facilities, making total one-time net costs of the move approximately $1.7 million. This does not, of course, include costs of $310,500 for the new temporary station and minor related trackwork at Tampa. This was required independently of the St. Petersburg train changes because the old Tampa station building was no longer habitable and in any event had to be temporarily vacated to permit its rebuilding under the UMTA grant previously approved.

(2) On the basis of actual experience to date, net annual savings will be approximately $1,250,000, which is very close to our estimate:

Train & Engine Crews	$370,000
Mechanical Forces (reduced from 54 SCL employees at St. Petersburg to 38 Amtrak employees at Tampa)	462,000
Fuel	150,000
Incentives paid to SCL Railroad	231,000
Passenger Services costs	124,000
Other (M of W, Assump. of Liab. Shop Expense, Track Maint.)	182,000
Total	$1,519,000
Less: Cost of bus service to St. Petersburg, Treasure Island, Clearwater and Clearwater Beach	270,000
Net Annual Operating Savings	$1,249,000

We expect to be able to reduce the labor force at Tampa even further by attrition, which will result in some additional annual savings.

Tampa Bay Area Passenger Count Analysis

Month of February 1984 vs. February 1983

I

As background for comparing Tampa Bay area passenger traffic in February 1984 with that for February 1983 we must first make that comparison for other major Florida markets not affected by the Tampa - St. Petersburg service change.

In February 1983 we had just announced "All Aboard America" fares that included a $125 round-trip fare between northeastern points

and Florida, with resultant surge in ridership. In February 1984, this plan had been continued, but with an increase from $125 to $175 for this Northeast to Florida round trip. As a result, ridership to major Florida points in February 1984 was below the corresponding month in 1983 as follows:

	Change in Passengers
Orlando	- 21.4%
Ft. Lauderdale	- 14.4%
West Palm Beach	- 11.4%
Miami	- 17.3%
Average Change (for above)	- 17.0%

Orlando, the area most contiguous to Tampa Bay and served by the same trains, is the most comparable community. Its passenger count loss of 21.4% is accordingly believed to be about what would have taken place in the Tampa Bay area had there been no change of service on February 1.

II

From the beginning, Amtrak recognized that the proposed change would result in loss of the local traffic -- that is, traffic between the cities of St. Petersburg, Clearwater and Tampa. While there was a considerable number of these riders -- mostly school classes taking a short train ride and returning by school bus -- the revenues from these short excursions were very small. In the month of February 1983 there was a total of 8,301 passengers on and off at these three cities, but 757 of these were local passengers that were counted both on and off at one or another of these stations. If accordingly, we eliminate both the on and off counts of these 757 passengers that are included in the above total, we had 6,787 longhaul passengers into or out of these three cities in the month of February 1983.

In February 1984, there was a total of 5,703 passengers in and out of Tampa, including those communities now served by new bus connections from the Tampa station (Clearwater, St. Petersburg, Treasure Island, Clearwater Beach, Bradenton and Sarasota). Of these, only 27 were ticketed between these stations. Thus in February, 1984, again eliminating the double count of these few on and off local passengers, the total long distance passengers in and out of the Tampa Bay area amounted to 5,649. This is summarized as follows:

	Feb. 1983	Feb. 1984	Difference	%
Long Distance Psgr - Tampa Bay Area	6787	5649	1138	-16.8

This is a slightly smaller percentage loss than the average noted above for other principal Florida cities, and a significantly better performance than the most comparable Florida community, Orlando, which lost 21.4% in February 1984 compared with February 1983.

III

We have used total long-haul passengers in and out of Tampa as the test, because this is the figure that is the determinant of revenue gain or loss. When we look at the counts of passengers using the new busses, and of those ticketed only to or from Tampa, we find as we had expected that a significant number of Pinellas County passengers are driving to the Tampa station instead of using the busses. We also find that there is, even in this first month, a significant gain in new passengers from Bradenton and Sarasota as a result of the new service made possible there.

Again eliminating local ticketing as explained above, these figures are as follows:

	Feb. 1983 (Rail)	Feb. 1984 (Rail & Bus)	Difference	%
Tampa	3047	2786	-261	-8.6
St. Petersburg, Treasure Island, Clearwater Beach, Clearwater	3740	2279	-1461	-39.3
Bradenton/Sarasota	--	584	+ 584	--
Net	6787	5649	-1138	-16.8

It is plain from the very small drop in passengers ticketed only to and from Tampa -- 8.6% compared to 21.4% at Orlando -- that a large number of Pinellas County train travellers elected to drive to the Tampa station rather than take the bus. It is also clear that Amtrak's total long-haul passengers and resulting revenues to and from the Tampa Bay area have been increased over what they would have been rather than diminished, by the combination of changes made, even in this first month of operation.

IV

Amtrak is very pleased with results of the change so far. In spite of continued strong local political opposition and adverse publicity, ridership has held up substantially as predicted, and negative passenger reaction has been negligible. Work is continuing on the new maintenance facilities at Tampa, and the annual cost savings are working out approximately as planned.

Amtrak's top officers are personally monitoring the service to make certain that it is conducted as projected and promised. The new service is already beginning to be seen as a definite improvement in quality as well as in cost effectiveness.

COST OF TAMPA-ST. PETERSBURG SERVICE

Mr. CLAYTOR. And could I mention one other thing? I think the figure of $1 million roughly, $1,250,000 savings, is a good figure. I think the thing we have to remember is that that amounts to $29 for every passenger in 1983, every long-distance passenger who rode beyond Tampa, who rode between Tampa, St. Petersburg, and Clearwater. The taxpayers are paying $29 for every single person who rode that train over and above what they would pay if we take them by bus.

I was down there when we instituted the bus service. It is first-class. Everything we promised about the baggage transfer, no one has to pick up a bag, no one has to walk any distance, no one has to do anything. And in the 4 weeks, I have not received any complaints from passengers who have ridden on the train objecting to the service.

The problem is we are caught in a vice between the rivalry of St. Petersburg and Tampa. The St. Petersburg people feel Tampa is taking something away from them. It has not at all been one way, Senator. We received a strong supporting letter from Mayor Martinez of Tampa for the change. We have resolutions from the cities of Bradenton, Sarasota, Manatee County, and Sarasota County. The members of Congress from those counties have supported us.

[The letters and resolutions follow:]

BUS SERVICE MORE EFFICIENT THAN AMTRAK FROM PINELLAS TO TAMPA

(From St. Petersburg Times)

EDITOR: Re: *Amtrak puts passengers last,* editorial, Dec. 8.

In its position on the Amtrak action in replacing train service from Tampa to St. Petersburg-Clearwater with much more efficient, economical, and speedy bus service, the *Times* takes a narrow, distorted view. As one whose family members have used this train service, I applaud the action of the commission. And I salute Mr. Chesnut, the only local commissioner with the courage to support this sensible change.

How can any thinking citizen decry the dimensions of the growing national deficit, and yet demand the continuation of such an outrageously expensive service regardless of the cost to the taxpayer? It would cost less to transport each of the few riders who use the service in a chauffered limousine!

Those who demand such senseless extravagance must remember that the costs are not borne by some rich, anonymous uncle in Washington--they are paid for by all of us.

It is time to call a halt to all such insanities.

GEORGE C. VILK, *Dunedin.*

SOUND DECISION

(From St. Petersburg times)

EDITOR: Congratulations, Amtrak. You made a sound business decision in terminating passenger service to Pinellas County rather than bowing to political pressure. Although St. Petersburg's City Council may feel otherwise, Amtrak is fortunate to have a capable president. W. Graham Claytor has a fine record in government, as former Secretary of the Navy, and in business, as former chief executive officer of Southern Railway, one of the most modern and profitable railroads in the country.

Daily, thousands of area residents and visitors who fly into and out of Tampa International Airport manage to arrange ground transportation to Pinellas County. However, local politicians and civic leaders feel that train service must be available to ferry a few dozen passengers to this side of the bay at a loss of $1.3 million per year. Such parochial attitudes help account for the $180 billion Federal deficit.

JAMES P. KOELSCH, *St. Petersburg.*

LETTER FROM EVERETT B. ALLEN, MAYOR, SEMINOLE, FLA.

JUNE 13, 1983.

W. GRAHAM CLAYTOR, Jr.,
President, National Railroad Passenger Corp.,
Washington, D.C.

DEAR MR. CLAYTOR: I caught your appearance on Channel 10 WTSP-TV's Newsmaker Program yesterday.

I wanted you to know that not all the political bodies in Pinellas County are opposed to Amtrak's proposal to substitute bus service in lieu of the long trip around Tampa Bay. At our city council meeting on April 26, 1983, the subject was discussed because we had been asked to support the Pinellas County Board of County Commissioners and the Metropolitan Planning Organization in opposing this action.

After considerable discussion pro and con, the consensus of our council was favorable to Amtrak's proposal. since we are only a small city, we do not get much newspaper publicity, but I do feel that you personally have more support than is reported publicly.

Sincerely,

EVERETT B. ALLEN, *Mayor.*

LETTER FROM ROBERT L. ANDERSON, CHAIRMAN, SARASOTA COUNTY BOARD OF COMMISSIONERS

DECEMBER 9, 1983.

Mr. W. GRAHAM CLAYTOR, Jr.,
President, National Railroad Passenger Corporation,
Washington, D.C.

DEAR MR. CLAYTOR: Thank you for your letter of December 1 regarding the new dedicated bus service between the Sarasota/Bradenton area and Amtrak's facilities in Tampa.

I was very pleased to hear that Amtrak's Board of Directors approved this new service. I have no doubt that it will be utilized extensively by both residents and visitors. I am equally certain that your efforts and persistence played a major role in the Board's decision.

On behalf of the citizens of Sarasota County and the Board of County Commissioners, I would therefore like to thank you for your efforts and congratulate you on your success.

If I may be of assistance in the future, please do not hesitate to contact me.

Sincerely,

ROBERT L. ANDERSON, *Chairman.*

LETTER FROM EDWARD W. CHANCE, CHAIRMAN, MANATEE COUNTY BOARD OF COMMISSIONERS

DECEMBER 7, 1983.

W. GRAHAM CLAYTOR, Jr.,
President, Amtrak,
Washington, D.C.

DEAR MR. CLAYTOR: Thank you for the good report. It was great news. I will see that it is routed to the other commissioners.

Sincerely,

EDWARD W. CHANCE, *Chairman.*

LETTER FROM ROBERT MARTINEZ, MAYOR, TAMPA, FLA.

JULY 13, 1983.

Mr. W. GRAHAM CLAYTOR, Jr.,
President, Amtrak,
Washington, D.C.

DEAR MR. CLAYTOR: Attached is a copy of the resolution that was passed and adopted by the city council of the city of Tampa, Fla. on July 7, 1983.

This resolution supports the efforts of Amtrak to operate more efficiently and to provide improved service through its plans to provide dedicated bus service from Tampa's Union Station to Clearwater, St. Petersburg, the gulf beaches, Bradenton, and Sarasota.

Please be assured that the city of Tampa wishes to cooperate with Amtrak and looks forward to a long and mutually beneficial relationship.

Sincerely,

ROBERT MARTINEZ, *Mayor.*

RESOLUTION NO. 3877-H

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TAMPA, FLORIDA SUPPORTING THE EFFORTS OF AMTRAK TO OPERATE MORE EFFICIENTLY AND TO PROVIDE IMPROVED SERVICE; DIRECTING THE CITY CLERK TO FURNISH COPIES OF THIS RESOLUTION TO CERTAIN INDIVIDUALS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Amtrak provides passenger train service to and from Tampa's Union Station to serve Florida's West Coast as part of its national transportation network; and,

WHEREAS, Amtrak, in its efforts to operate more efficiently and provide improved service, plans to provide dedicated bus service from Tampa to its Clearwater and St. Petersburg stations and the Gulf Beaches thereby significantly reducing passenger travel time and operating costs; and,

WHEREAS, the institution of dedicated bus service would enable Amtrak for the first time to initiate service to Bradenton and Sarasota; and,

WHEREAS, the City of Tampa has requested proposals for professional consulting services to conduct a planning and economic feasibility study for the renovation, restoration, historic preservation and adaptive reuse of Tampa's Union Station; and,

WHEREAS, the adaptive reuse of Union Station will provide an intermodal transportation link that will enhance the revitalization of Ybor City, development of Garrison Channel area and Harbour Island and continued growth of Downtown Tampa

NOW, THEREFORE: BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TAMPA, FLORIDA:

Section 1. That the City Council support Amtrak's efforts to operate more efficiently and to provide improved service through its plans to provide dedicated bus service from Tampa's Union Station to Clearwater, St. petersburg, the Gulf Beaches, Bradenton and Sarasota.

Section 2. That the City Clerk of the City of Tampa, Florida, is hereby directed to furnish a copy of this Resolution to W. Graham Claytor, Jr., Amtrak President, Congressman Sam Gibbons, Senator Lawton Chiles and Senator Paula Hawkins.

Section 3. That this Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the City Council of the City of Tampa, Florida on July 7, 1983.

TOM VANN, *Chairman, Pro Tem, City Council.*

RESOLUTION NO. 83-40

A RESOLUTION ENDORSING AMTRAK'S PROPOSAL TO PROVIDE BUS SERVICE TO AND FROM BRADENTON TO CONNECT DIRECTLY WITH AMTRAK TRAINS AT TAMPA.

WHEREAS, Amtrak has under consideration providing dedicated bus service for its trains at Tampa to and from St. Petersburg-Clearwater in place of existing circuitous rail service, and

WHEREAS, it appears feasible that in connection therewith, dedicated bus service could be provided for the first time to and from Bradenton to connect directly with Amtrak trains at Tampa,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRADENTON, FLORIDA, that:

The City Council of Bradenton strongly endorses this proposal and urges Amtrak to proceed to implement it as soon as possible.

PASSED AND DULY ADOPTED this 9th day of June, A.D., 1983.

BILL EVERS, *Mayor.*

RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF SARASOTA COUNTY, FLORIDA

RE: In support of Amtrak's proposal for a bus connection from Tampa to the Sarsasota-Bradenton area.

WHEREAS, Amtrak's Silver Meteor and Silver Star passenger trains presently provide direct service to Tampa; and

WHEREAS, Amtrak has under consideration the provision of dedicated bus service between Tampa and the St. Petersburg-Clearwater area; and

WHEREAS, in connection with this service it appears likely that similar dedicated bus service could be provided for the first time from Tampa to both Bradenton and Sarasota; and

WHEREAS, the Amtrak proposal is being considered by its Board of Directors, and Amtrak's management has been instructed to collect public comment on this issue; and

WHEREAS, the implementation of this dedicated bus service between Tampa and Sarasota would allow Sarasota residents to have access to Amtrak's nationwide passenger rail service;

NOW, THEREFORE, BE IT RESOLVED that the Board of County Commissioners of Sarasota County, Florida, in public meeting assembled, strongly endorses this proposal and urges Amtrak to implement it at the earliest possible date.

PASSED AND DULY ADOPTED this seventh day of June, A.D., 1983.

BOARD OF COUNTY COMMISSIONERS OF SARASOTA COUNTY, FLORIDA

By: ROBERT L. ANDERSON, *Chairman.*

RESOLUTION

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF SARASOTA, FLORIDA PERTAINING TO THE ESTABLISHMENT OF BUS SERVICE FROM SARASOTA TO TAMPA TO CONNECT WITH SCHEDULED SERVICE BY AMTRAK PASSENGER TRAINS; MAKING CERTAIN FINDINGS AS TO THE PROPOSAL OF AMTRAK TO ESTABLISH SAID BUS SERVICE; FINDING THAT THE PROPOSED SERVICE WOULD BE OF SIGNIFICANT BENEFIT TO THE CITIZENS OF THE CITY OF SARASOTA; ENDORSING THE PROPOSAL OF AMTRAK TO IMPLEMENT SAID SERVICE; DIRECTING THE CITY AUDITOR AND CLERK TO FORWARD A COPY OF THIS RESOLUTION TO THE PRESIDENT OF AMTRAK, OR ANY OTHER APPROPRIATE OFFICIAL OF THAT CORPORATION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Amtrak is operating the Silver Meteor and Silver Star passenger trains from Tampa, Florida as part of its national transportation network; and,

WHEREAS, the Board of Directors of Amtrak has authorized management to solicit public comment concerning a proposal to provide an efficient dedicated bus service between Sarasota and Tampa which will provide connecting service to meet the arrival and departure times established for the Silver Meteor and Silver Star passenger train service; and,

WHEREAS, the City Commission finds that the implementation of an efficient dedicated bus service between Sarasota and Tampa, by Amtrak, would allow the citizens of the City of Sarasota to have convenient access to the nationwide passenger rail service provided by Amtrak;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF SARASOTA, FLORIDA:

Section 1. The City Commission finds that the proposal of Amtrak to operate an experimental bus connecting service between Sarasota and Tampa is in the best interests of the citizens of the City of Sarasota.

Section 2. The City Commission hereby endorses the proposal and urges the Board of Directors of Amtrak to immediately implement the same.

Section 3. The City Auditor and Clerk is directed to forward a copy of this Resolution to W. Graham Claytor, Jr., Amtrak President, or any other appropriate official of Amtrak.

Section 4. This Resolution shall take effect immediately upon adoption.

ADOPTED by the City Commission, after reading in full, this 8th day of June, 1983.

/s/ ANNE M. BISHOPRIC, *Mayor.*

20 PERCENT FAVOR CHANGE

Mr. CLAYTOR. About 20 percent of all the letters that we received last year when this was under consideration, about 20 percent of all those letters favored the change, although there was a big campaign to get letters to the contrary, and no campaign to get them this way.

My experience with train-off cases in the past was that 95 percent of the people would always oppose it as a matter of principle. In this case we had 20 percent favorable.

I feel that we are not only going to make the savings, but we are not going to lose any revenue. If we lost a little revenue, it still would be only a fraction of the savings made, and this is a very important item, because Amtrak can only go forward with what I have talked about this morning—improving our revenue-to-cost ratio overall, decreasing our subsidy by a lot of small things. There is no big thing we can do to suddenly turn this around.

Our progress is based on a $1½ million here, $1½ million there, another $2 million in the other place, by making changes just like this that provide the service and still cut the cost.

So, Mr. Chairman, I just do not think we could possibly justify the $28 to $29 a passenger. That is $1 a mile for every passenger, 30 miles by a road, $1 a mile that it is costing the Government to run this service, and I do not think we should do it. If we do do this, I have a very hard time resisting any kind of change I make anywhere else that provides us this kind of savings.

So I feel it is in the public interest to stick with this, and I think we should.

Senator CHILES. Mr. Chairman, I appreciate Mr. Claytor's statement. I think he might be a little incorrect in several points, one of which is when he says the people in St. Pete feel that the people of Tampa have taken away something.

My understanding is that the people of St. Pete think Mr. Claytor has taken away something, not the people of Tampa.

AMTRAK OPERATING COSTS

Mr. Claytor, I am impressed with your commitment to operating Amtrak as efficiently as possible. I note, however, in your statement that you meet the statutory requirements for fiscal year 1985 by covering 50 percent of your total operating costs with revenues 3 years earlier. Now you are approaching a 60-percent ratio. I understand that now for fiscal year 1985, you are estimating your revenues would cover at least 58 percent of your total operating costs.

I also noticed in your budget you are projecting a $10 million profit from the Auto-Train in Florida—we have discussed that. With your ridership figures now somewhat off the early projections, I am not sure whether you can meet that. But the point remains that Amtrak has far exceeded its statutory goal and the State of Florida has made significant contributions to the Amtrak revenues.

For example, I understand your long-haul trains on average recover 67 percent of the short-term avoidable cost, while the Florida trains, the Silver Star and the Silver Meteor, recover 72 percent of their short-term avoidable costs.

It would seem to me that this higher-than-average contribution would be something that would be considered. I really think what you are looking at is through a peepsight, and you ought to take a little broader view, because you are talking about an area where you are discontinuing service, which is a tremendously dynamic and growing area. Your service in connecting Sarasota and Bradenton makes a lot of sense. It has been applauded, and it works regardless of whether you have the St. Pete facility or not.

GROWTH OF PINELLAS COUNTY

Now we find that Pinellas County has received a grant from the Urban Mass Transit Administration to study the possibility of light train rail service between St. Pete and Tarpon Springs. The State has already spent $5 million to purchase abandoned Seaboard Coastline right-of-way between Clearwater and Bay Pines. Another $5 million is in the State's budget to purchase the right-of-way between Bay Pines and St. Pete, and the State has plans to request the funding purchase of right-of-way between St. Pete and Tarpon Springs.

Everyone in the State seems to agree there is a need for light rail or dedicated bus right-of-way service along the north/south corridor between Tarpon Springs and St. Petersburg. And once in place, that new service is going to funnel significant numbers of new riders into the Amtrak system. Additionally, discussions are underway to put rail service across the Howard Franklin Bridge at some point in the future, when that bridge is improved. That would mean that Amtrak would not need to take the time-consuming trip around the bay.

These are somewhat longer-term proposals, but they suggest to me that Amtrak should keep its foothold in Pinellas County, and should not be making—duplicating capital investments in Tampa, and with the significant ridership potential that the Pinellas County can offer with its population of 800,000 people, I think it is just short-sighted now that we are going to try to save a couple of dollars today and cut off the possibility of making an awful lot more ridership and more dollars in the decades ahead of us.

Mr. CLAYTOR. Senator, I would agree with you absolutely if that is what we were doing. But we are not. We have four stations in Pinellas County instead of two now, and we get the people to the train in Tampa in a half an hour instead of an hour and a half.

LIGHT RAIL

This light rail is great, and it should support our decision. Because what is going to happen is, people are going to come to the Tampa station on light rail, not send a nine-car train with heavy locomotives running slowly all the way around the top of the bay for an hour and a half. People will come over on the light rail from St. Petersburg to the Tampa station in probably 20 minutes, instead of the one-half hour the bus takes.

The light rail will concentrate things exactly as we are doing, and that is the way it ought to be. The problem with the railroad that goes there now is that it does not go there directly. If we had a line directly across the bay, the right way to do it would be to have light rail bring things right into the train, and do it in 20 minutes.

But now we go 47 miles around the north of the bay with over 100 grade crossings, in an hour and a half to an hour and 45 minutes for a trip that takes 30 minutes on a very comfortable, air-conditioned bus.

I might add, too, that for handicapped passengers, we have a handicap van that will pick people up on notice and take them directly to the train in wheelchairs, without charge. So I think the service to Pinellas County is positively going to continue, and the light rail suggestions that you make really reinforce the decision that this is the right way to go for the long pull as well as the short.

TAMPA END-OF-LINE FACILITY

Senator CHILES. I understand that during the third week in February, we had an injury in Tampa as a result of not having the proper end-of-the-line facilities in place.

In St. Petersburg there is a facility to work on car wheels that have developed flat spots. And in Tampa, because there is no proper end-of-the-line facilities, you need to use a crane to lift the cars for wheel work.

Apparently, the staff is not familiar with using the crane, which is a makeshift approach, and as a result of this, an injury occurred. It would seem that again safety reasons also would add impetus to the fact that the St. Petersburg facility has those end-of-the-line facilities that could be used.

Mr. CLAYTOR. We will have all the facilities at Tampa, in fact, new ones and better ones than now. This is a temporary situation there. We are in the process of putting in jacking pads, and I think that within the next few days we will have completed an arrangement to move the facilities for the wheel pit from St. Petersburg over to Tampa. It is a simple job. And all of this is going to be done.

As I say, we are operating temporarily at Tampa now. I have my chief mechanical officer down there at the moment. He is checking everything and making sure that we move as rapidly as possible to have it all in good shape.

Now, you must remember that UMTA, too, has already allocated $2 million to rebuild the Tampa station. We have a temporary station

there now while that is being done. But when that is done, that is to become a rail transportation center, and I am certain that any light rail that goes in will use that station as its central focal point with this additional money that is being spent, which again emphasizes that for long-range planning, this is plainly the right way to go.

Senator CHILES. Thank you, Mr. Chairman.

Senator ANDREWS. Thank you, Senator.

RATIONALIZATION OF RAIL SYSTEM

To get back to the FRA. Mr. Riley, in your confirmation hearings before the Senate Commerce Committee, you stated that you expect further rationalization of the Nation's rail system.

That is a wonderful word. You anticipated consolidation at the class I carrier level, but with equal fervor, a rationalization process at the tier 2 level. What assistance can FRA provide the local communities and affected shippers as this tier 2 rationalization takes place?

Mr. RILEY. Senator, I think that the most dramatic thing that we have done, and it is the key to what we can do, is in setting up a division within Lou Thompson's organization which I will call a strike force. It is really built on the experience that I had in Minnesota with abandonments and which other States like Iowa, South Dakota, and North Dakota have similarly had.

We have a group of people who are experts, have expertise in rail costing and their economics. They would be sent out, on request, by shippers, by members of Congress, whoever, to work with shippers on lines that are affected by rationalization—which is a two-sided word—to show them how to cost out their options.

Our experience has been that in most of the cases, when that costing is done, shippers usually find out why the line was being abandoned: They usually find out that the cost for maintaining rail service is equal to or greater than the cost of going to another mode or perhaps intermodal service. But in that key minority where there is a potential to maintain rail service and upgrade the lines, we provide the expertise necessary to show how to approach the class I railroad, execute agreements that meet everyone's need, and do the kind of railroad shipper rehabilitation contracts that we have used in southern Minnesota. Where a short line is the right way to go, we will provide the same kind of expertise, show how to successfully set up a short-line operation and work your interchanges.

We are just beginning this process. We have used it out on the Seattle North Coast Railroad. Specifically, in the last few weeks, we sent our own economic and legal people out there to help a serious service difficulty. I do not think there are many areas of the country that have faced this problem more deeply than the Midwest. Now it will be the South this year with the ICG turning over some of its southern lines, but we anticipate using our staff significantly in those areas in the year ahead.

LOCAL RAIL SERVICE PROGRAM

Senator ANDREWS. In appearing before this committee on February 23, Secretary Dole made the observation that the existing local rail service program is not very responsive in correcting identifiable problems. It is not reflective of the particular needs.

Can you elaborate on the Secretary's observation?

Mr. RILEY. I would be glad to do that, Senator.

I think there are four problems with it. First, the program is very heavily entitled. In other words, all States are eligible for 1 percent of the program's funds. It is a 50-percent apportionment, in effect. Now, I do not have a problem with that from an administrative sense, in terms of the administration of the program, that is, planning grants. But what that does is that it gives a place like the District of Columbia or a State—and there are several that really have no incidence of light density rail line problems—the same entitlement that a State like North Dakota or Iowa or South Dakota that have significant problems get. So it steers a large percentage of the resources of the program away from the areas of greatest need without any ability to go back and compensate for that.

Second, in the formula that is created to enable us to guide the discretionary funds we have, which are a minority of the funds in this program—that is a big part of the problem—that formula is keyed to lines listed for potential abandonment.

I have two problems with that. First, that is not always a good indicator of the quality or the salvageability of the lines. It is a number, and that number does not always translate into real demographics. Second, States in which railroads are dominant that do not list lines for potential abandonment—and the two railroads that do not are the ICG and the Burlington Northern, which certainly includes the chairman's State of North Dakota—are hurt by that formula, because one of the key factors that is built into the steerage of those funds is undercompensated for in your State.

The other problems that I have with it are that the program really does not set up an incentive for the creation of State programs, which is really the way this has got to go over the long term.

Finally, the program is inflexible in the authority it gives the administering body. We have to give that money out as a grant. In cases where we could conceivably loan it, or in cases where we could leverage the dollars far, far out in the future by using it to buy down interest rates and a variety of other approaches to leverage scarce dollars, we cannot do it. So we find ourselves in a position where we have a small amount of discretionary funds to move around, and we have to give it away as a grant, even when we should not have to do that.

That is what the Secretary was referring to. There are structural problems in the LRSA program that make it a difficult program to administer effectively to the areas of need.

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RECOMMENDATIONS ON LRSA PROGRAM

Senator ANDREWS. Well, let me say that with the Secretary having put her finger on it, and you further identifying it, going on and talking about the inflexibility, I would imagine that, as good and faithful stewards of the cause, you have made some recommendations to Congress as to how we can change that so that you could be more flexible and more effective.

When did you send those recommendations up?

Mr. RILEY. Senator, originally some reauthorization hearings were scheduled for LRSA earlier this year. We anticipated that the issue would be raised at that time. I understand that since then, it has been—our lawyers have stumbled upon the same fact that the committee lawyers have, that is, that the program's authority does continue out into the future and therefore does not need to be reauthorized.

But we would be glad to respond to any request on that and discourse on it as I have here.

Senator ANDREWS. The request is, what initiative have you set out on in sending up recommendations to correct this inflexibility that you and the Secretary have fingered?

Mr. RILEY. We have sent no recommendations to the Congress.

Senator ANDREWS. Do you anticipate sending some recommendations, given the problem as you identify it?

Mr. RILEY. I would be glad to put the kinds of points I am raising here in writing to the committee. I would be glad to do that, Senator.

Senator ANDREWS. When you do, we would appreciate it if you would send something to this committee. We have been known occasionally to even intrude on the sensitivities of the authorizing committees when we find that money is not being used effectively or wisely, so we would welcome any suggestions you might send up.

Mr. RILEY. I appreciate that.

STRIKE FORCE

Senator ANDREWS. The Associate Administrator for Passenger and Freight Service is scheduled to house a small strike force to help shippers and communities deal with the impact of light density line abandonments. There is a total of 44 positions requested for the rail service assistance area.

How many of these people are assigned strike force responsibilities?

Mr. RILEY. We intend to assign them to four, Senator.

Senator ANDREWS. Four?

Mr. RILEY. Four. They will do some double duty. They will do some double duty in operating in other areas.

Senator ANDREWS. How much time does FRA expect will be spent in this technical assistance area?

Mr. RILEY. That is difficult to estimate, Senator. We believe that a fair estimate is that in the short run, it could consume perhaps one-third to one-half of their time. Over the longer run, I expect this to be a full-time activity.

Senator ANDREWS. What types of personnel are going to make up the strike force?

Mr. RILEY. People that we are looking for are folks who have experience with light density abandonments and have experience specifically doing about three things: First, costing out options available to shippers and showing shippers how to cost out their own options so they can make intelligent financial decisions. The intelligence is always there. The issue is the experience in this kind of transaction. Second, showing them how others have successfully established structures that have enabled them to deal with potentially abandoning railroads to provide for rehabilitation and the continuation of service. And many of those have been built around contracts. Third, we want them to be able to delve into the economics of short-line operation in cases where that appears to be the best available option. It is not our intention to substitute our judgment or anyone else's as to how these issues should be handled. It is our intention to enable people to better understand their choices.

STRIKE FORCE WORK ON SITE

Senator ANDREWS. Now, what percentage of the strike force's work is going to be on site versus off site, staying back here in their ivory towers?

Mr. RILEY. Well, I hope as much as possible is going to be on site. We literally just initiated use of the strike force in the last month. In the one case where we have used them extensively, they went out to the site, met with the people, saw the logistics——

Senator ANDREWS. That is fine, but can you give me a percentage figure of the time of this so-called strike force group that is going to be spent on site?

Mr. RILEY. Lou, you are going to administer it. Do you have an estimate on that?

I have one, but I will yield to you.

Mr. THOMPSON. It would vary very much with the size of the problem. I would think, for example, that if the strike force is involved in discussions of the transfer of the Mississippi lines, they would spend weeks down there and other places——

Senator ANDREWS. I know that, but what percentage of the time of these people is going to be spent on site?

Mr. THOMPSON. About half.

Senator ANDREWS. About half?

Mr. THOMPSON. About half.

Senator ANDREWS. And I notice that the expert beside you is nodding his head in assent.

So actually what you are contemplating, given the problem that we have in this area, is that you will devote two people to on-site evaluation, the economic impact on these small communities, and all the rest.

Is this really going to give you the input that you need? You know, it is nice to sit back here in Washington and talk about what is happening out in the field, but our Indians out in the Plains States have a saying

that if you want to know how it is, go walk in the other man's moccasins.

Now, just how, exactly, are you going to be able to determine what the real economic impact is on some of these branchline abandonments if you do not get off your tail and go out there and find out how it is in the real world?

Mr. RILEY. Senator, we are prepared to devote 100 percent of the time of four or more people, if more people prove necessary. We can always bring others into the strike force on a temporary basis, if necessary.

Senator ANDREWS. But you said 50 percent of four people.

Mr. RILEY. Because the question was, what time are we anticipating we will devote to that in the immediate future? The reasonable answer is that we will put as much time as we need to in it, and as many people as we need to. I believe that over the foreseeable next 5 or 6 months, it is going to take about half the time of four people. If it takes more than that, we will send more. And where we have practical experience with working this in the field, we will be better able to estimate it.

But we have sent people to Seattle. I have sent them to Iowa, and we are prepared to send them out to Minnesota and to Mississippi, anyplace where these problems have arisen.

To me, this is a central effort, Senator, and I cannot emphasize that strongly enough. It is the direction the FRA needs to go, and to the extent that my numbers prove to be low, I will not hesitate in raising them. We will devote as much time as we need to out in the community. I agree completely with you.

When I first went on Senator Durenberger's staff and we had the major abandonments in Minnesota, Dave sent me back to the State for a month, and I literally walked the lines, I met the shippers, and I learned more from the people who lived with the problem than I could have learned from anybody at FRA and ICC.

That is the experience that we want to duplicate.

Senator ANDREWS. Yes; and you are going to share that experience, I am sure, in the position you are now in. You also give us the feeling that perhaps we may have to have some of our staff who have walked the line and who do understand the problems in these small communities acquaint you with those problems, because you only have two people that are going to be out there in the field looking.

So we will be glad to provide that kind of information on a rather continual basis.

REDEEMABLE PREFERENCE SHARE PROGRAM

Under the 4R Act, does the statutory life of the redeemable preference share program expire at the end of fiscal year 1985?

Mr. RILEY. Yes; it does, Senator.

Senator ANDREWS. Under existing law, does the money already appropriated have an expiration date?

Mr. RILEY. It is no-year money. However, appropriation language added in fiscal year 1984, and proposed for continuation in fiscal year 1985, would lapse any unobligated balances remaining after September 30, 1985.

Senator ANDREWS. Then this no-year money would not be available for obligation past the expiration date of the authorization?

Mr. RILEY. That is my understanding, unless the language is deleted.

SUBMITTED QUESTIONS

Senator ANDREWS. Thank you very much.

I have some more questions that I will submit for the record. Senator Chiles has some additional questions for the record. Senator Weicker has some questions that he would like to submit for the record, as well as Senator D'Amato, and there may be one or two others.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted to the Federal Railroad Administration by Senator Andrews

RAIL RATIONALIZATION

SENATOR ANDREWS: When railroads in the East and Mid-West had their financial problems, the Federal government was there to help. But unfortunately as this rationalization process takes place in the South and West there doesn't seem to be as much enthusiasm to help out. Can you give this Committee some assurance that FRA will be as equally sensitive in the next round of reorganizations?

ANSWER: The reorganizations of the Northeast and Midwest came about in the wake of major railroad bankruptcies. Federal funding was used to ensure the preservation of essential service while the railroads were reorganized, and to help shippers cope with the massive restructuring that occurred as uneconomic lines were abandoned. The more recent changes in the industry structure, particularly in the West and South, have not involved regional bankruptcies or cessation of service by major carriers. Since the changes have been smaller in magnitude, and less abrupt in their occurrence, the Federal response has been able to take different forms.

Illustrative is FRA support of efforts by the ICG to spin off hundreds of miles of light density lines to short line operators who plan to continue service through operation of a regional railroad. Similarly, FRA has used its newly created "strike force" to minimize transition problems associated with the financial difficulties encountered by a Northwestern carrier. We will continue to use funding available in the Section 505, 511 and 803 programs as efficiently and effectively as possible. Finally, an important byproduct of past Federal programs has been the development of a reservoir of knowledge about shipper options in face of a loss of rail service, and FRA is prepared to use this knowledge to help shippers and communities affected by future restructuring. FRA will be every bit as sensitive in dealing with current service issues, and we can probably deal with them more effectively as a result of the expertise gained in the East and Midwest.

LOCAL RAIL SERVICE ASSISTANCE

SENATOR ANDREWS: Would it be fair to say that the real problem with the Program is the present inflexibility?

ANSWER: Yes, and the result of this inflexibility is that FRA does not have the ability to channel funding to the states where it is most needed, to maximize the funding by varying the rate of the Federal share or providing loans (or interest rate buydowns) instead of grants, or to direct the funding in a manner which will create incentives for the states to establish their own programs.

SENATOR ANDREWS: What is FRA's latest estimate on the total amount of discretionary funds available for this program for FY 1984? I know that the appropriation for 1984 provided $2.5 million in discretionary funds, but I am talking about the additional funds that become available in April because they were not obligated by the states.

ANSWER: An additional $818,275 has become available for discretionary allocation because the following states did not apply for their full FY 1983 entitlements as of March 31, 1984:

STATE	AMOUNT
Alaska	$200,000
District of Columbia	130,000
North Carolina	188,275
Utah	100,000
Wyoming	200,000

SENATOR ANDREWS: Does the existing criteria that FRA has to consider with respect to disbursing discretionary funds serve the program well? If more funds were made available for the discretionary program vis-a-vis the apportionments, would this help the branch and feeder line situation?

ANSWER: The criteria which FRA must consider in disbursing discretionary funds do not fully ensure that LRSA funding will be allocated where it is most needed and will be most effectively implemented. Recognizing this deficiency, Congress provided specific guidance with respect to the $2.5 million appropriated in FY 1984 for discretionary allocation.

I believe that more discretionary funding combined with greater flexibility in the distributional criteria would be very helpful in that it would give us more ability to direct resources to the constantly shifting areas of need.

SENATOR ANDREWS: Specifically, is FRA comfortable with the criteria provided under section 5(h)(3)(B)(ii) of the Department of Transportation Act for distribution of discretionary funds? Please elaborate.

ANSWER: In allocating LRSA discretionary funding FRA is required by statute to consider the following:

- The percentage of lines filed with the Interstate Commerce Commission for abandonment or potential abandonment within a state;
- The likelihood of future abandonments within a state;
- The impact of rail bankruptcies, rail restructuring, and rail mergers on the state applying for assistance;
- The ratio of benefits to costs (which are included in the State rail plan) for a proposed project; and
- The likelihood that the line will continue operating with rail freight assistance.

Two of the five criteria are keyed to lines threatened with abandonment and reported on the System Diagram Maps submitted to the Interstate Commerce Commission. Since several railroads do not report mileage potentially subject to abandonment, these criteria do not fully reflect state need. In addition, the criteria do not include certain considerations which FRA believes are essential to the effectiveness of the LRSA Program. These additional considerations are the amount of non-Federal financial participation in the project, the extent to which the state has used all its entitlement

funding, and the extent to which funding of the project will enhance the state's ability to establish its own continuing rail freight assistance program.

Finally, the formula presumes that salvageable light density line projects run in direct proportion to lines listed for potential abandonment. I question that relationship, and believe that discretion, exercised with Congressional oversight, is the only real solution to the problem these criteria are designed to address.

SENATOR ANDREWS: Would it be fair to say that the Local Rail Service Assistance Program has been successful, and there are now profitable lines in operation in South Dakota and Minnesota because of this program?

ANSWER: Yes. With $9.4 million in LRSA funding, the State of Minnesota has rehabilitated 112 miles of Milwaukee track between Jackson and Austin, including the segment from Wells to Minnesota Lake. Rehabilitation of the line has enabled the railroad to operate 100-ton hopper cars at 25 mph. LRSA funds were a key element in a financing package, which included State, railroad and shipper contributions.

Without LRSA funding, the line, which carried 4,800 carloads with a revenue of $2.9 million in 1978, would have been abandoned. After completion of the project, the carloadings increased significantly and the line was operated profitably. In 1981, the revenues had risen to over $6 million and the volume increased to 6,909 carloads.

Several lines in the State of South Dakota which have been rehabilitated with $6.7 million in LRSA funding are also operating profitably at this time. These include 195 miles of the South Dakota core system and the 5-mile Britton line which are owned by the State and operated by the Burlington Northern, and the 83-mile Burlington Northern line between Sioux Falls and Wentworth.

SENATOR ANDREWS: Please provide the Committee the latest listing of Local Rail Service Assistance discretionary applications pending before FRA. List the applications by State, amount and brief descriptions, and date when the application was made.

ANSWER: On December 15, 1983, FRA established a two-phase process for allocation of the available discretionary funding. The application deadline for Phase I was February 1. Project selection for this Phase is scheduled to be completed by April 15. Fourteen states have applied for a total of $9,256,196 during Phase I. A list of the states is attached.

PHASE I DISCRETIONARY APPLICATIONS

STATE	PROJECT	AMOUNT	DATE SUBMITTED
IL	Construction of connection from Chicago and North Western's Troy Grove Branch to Dekalb Industrial Park.	$ 123,515	1/13
IA	Rehabilitation of Chicago and North Western line between Ocheyedan and Goldfield.	1,500,000	1/23
KS	Continued rehabilitation of Rock Island line being purchased by Mid-States Port Authority.	929,213	1/26
MA	Rehabilitation of Boston and Maine's East Deerfield Yard.	500,000	1/30
MI	Construction of spur track to connect with Tuscola and Saginaw Bay Railway at Otter Lake.	312,900	1/31
MN	Continued rehabilitation of Madison to Hanley Falls Line.	300,000	1/25
MS	Rehabilitation of Columbus and Greenville Railway's Columbus Yard.	324,253	1/10
MT	Rehabilitation of Arrow Creek Hill slide on Burlington Northern line between Spring Creek Junction and Geraldine.	1,900,500	1/30
NY	Construction of an intermodal facility at Harlem River Yard.	1,500,000	2/23*
ND	Continued rehabilitation of Soo Line between Fordville and Minnesota State Line.	897,564	1/25
OR	Continued rehabilitation of Willamina and Grand Ronde Railroad and City of Prineville Railway.	329,280	1/26
SD	Rehabilitation of state-owned line between Mitchell and Tulare.	200,000	1/12
TN	Rehabilitation of Sparta Branch which is owned by Tri-County Railroad Authority and operated by Caney Fork and Western Railroad.	207,735	1/30
WV	Continued rehabilitation of South Branch Valley Railroad.	231,236	1/20
	TOTAL DISCRETIONARY FUNDS REQUESTED	$9,256,196	

*Submitted 22 days after application submission deadline.

LOCAL RAIL SERVICE ASSISTANCE

SENATOR ANDREWS: The travel request for "Rail Service Assistance" has gone from $46,000 in 1983 to $60,000 in 1984 to $49,000 for FY 1985. Wouldn't necessary travel by these assistance teams argue for a higher travel budget in FY 1985 over FY 1984? Or did this Committee provide too much travel funding for FY 1984? What is the reason for the travel budget decrease? How much of the FY 1985 travel request do you see being used by the "Strike Force" team?

ANSWER: The $49,000 for Rail Service Assistance travel in fiscal year 1985 is, simply, our best estimate of need. It is lower than the FY 1984 amount, taking into account diminishing program activities and a reduced staff in the Rail Service Assistance office. It provides initial travel funds for the strike force. Additional funds can be provided from available resources as the demand for strike force assistance increases.

SECTION 505 - PREFERENCE SHARES FINANCIAL ASSISTANCE

SENATOR ANDREWS: Of the total $1.4 billion authorized under this program, approximately $600 million has been appropriated to date. How much remains unobligated?

ANSWER: As of March 27, 1984, $32.4 million of appropriated section 505 funds remain available for obligation.

SENATOR ANDREWS: What is the demand on this unobligated amount? Do you have more applicants than there is available funding? Do all these applications meet statutory criteria?

ANSWER: Of the $32.4 million in unobligated funds, $31.4 million is for earmarked projects and $1.0 million has not been designated or committed.

The earmarked projects include:

	($ Millions)
East St. Louis or Other	$20.0
Milwaukee Road	6.0
Rock Island Lines - Iowa	2.0
Detroit and Mackinac Railway	3.4
	$31.4

Applications or requests for the $1 million in uncommitted section 505 funds include:

	($ Millions)
Hillsdale County Railroad (Michigan)	$ 2.5
North Central Oklahoma Railway	4.1
Monroe County Railroad Authority (Pa.)	4.8
Iowa Northern Railroad	2.0
Delaware Otsego Corporation	8.4
	$21.8

Some of the applications or requests for which section 505 funds have not been designated or committed ultimately may be appropriate for funding within available resources. Others, however, do not appear to be suitable for long term financing under the criteria for section 505.

SENATOR ANDREWS: What is the status of pending applications for the "505" money? Are any of the applications soon to be acted on? Please briefly describe for the Committee the status of the applications and the negotiations to date.

ANSWER: The Terminal Railroad Association of St. Louis has informed FRA that it does not plan to complete an application for the $20 million in section 505 funding which Congress designated for the modernization and improvement of the St. Louis rail terminal. No action has been taken by the Congress or by FRA to reprogram the funds designated for the St. Louis project.

FRA expects to execute an agreement with the Trustee of the Milwaukee shortly to provide $6 million of section 505 funding for the rehabilitation of 156 miles of track between Minneapolis and Appleton, Minnesota ("Ortonville Line").

The Iowa Northern Railroad Employees Association is seeking $4.0 million of section 505 funds to assist in the purchase of Rock Island line segments in Iowa between Manly-Cedar Rapids (125 miles) and Vinton-Dysart (15 miles). FRA is working actively with the State of Iowa, shippers and other interests in an effort to develop a joint financing arrangement which would permit completion of the Iowa project.

Preliminary discussions have been held with Detroit and Mackinac officials, but the railroad has not yet submitted a firm proposal for consideration by FRA.

The Hillsdale County Railway Company applied in June 1982 for $2.48 million in section 505 funds to rehabilitate 29.8 miles of track in Indiana. The application is out of date and is not being actively pursued by the railroad. FRA staff has suggested to the railroad's management that in light of a number of obstacles to overcome to obtain section 505 funding, the railroad seek to obtain the proposed track rehabilitation financing from Local Rail Service Assistance Program and private sources to complete the project.

The North Central Oklahoma Railway's application has been amended several times to reflect adjustments in the Federal funding requested and properties to be acquired. The economics of the proposed project are weak. If the required statutory determinations for providing assistance to the railroad can be made, FRA would join with other participants in financing support of the railroad's project, to the extent Federal assistance is available.

In the Conference Report accompanying the Department's FY 1984 supplemental appropriation, the conferees urged FRA to give priority consideration to the redeemable preference share (section 505) project applications of the Erie Lackawanna (Monroe County Railroad Authority) and the New York, Susquehanna and Western Railroads (Delaware Otsego Corporation) to the extent that such projects can be funded from surpluses derived from existing projects for which preference share funds have been reserved. Preapplication conferences have been held with Monroe County and Delaware Otsego representatives, but to date formal applications for preference share funding for those projects have not been submitted to FRA.

SENATOR ANDREWS: In the FY 1985 budget justification (pg. 111) you show zero as a program level for redeemable preference shares. Is this because you expect to obligate all available funds this fiscal year?

ANSWER: The FY 1985 budget submission anticipated that all the remaining appropriated section 505 funds would be obligated by the end of FY 1984 with the exception now of several projects, such as the East St. Louis project, which is not going to be completed. The current expectation is that the obligation of these funds will be used for other projects either in FY 1984 or they will carry over into FY 1985 and be completed prior to the termination of the program on September 30, 1985 with the Committee's concurrence.

SENATOR ANDREWS: Would it be fair to say that the section 505 and section 511 loan guarantee programs have been successful? Would the Milwaukee Railroad be in existence today without the assistance it received? (I understand that there is pretty serious bidding for this line going on right now. I guess somebody else must think, besides the Federal Government, that this is a pretty valuable piece of property.)

ANSWER: In the Railroad Revitalization and Regulatory Reform Act of 1976, Congress stated that its purpose was to enable the national railroad system to remain viable in the private sector while providing adequate, safe and efficient transportation services. Consistent with that purpose, Title V assistance has made a major contribution in relieving problems requiring immediate redress. The program has helped to minimize the adverse impact of deferred maintenance on the national rail system by stemming the deterioration of high density main lines and by providing for rehabilitation of needed equipment which the recipient carriers would not otherwise have been in a position to undertake. In addition, the assistance provided has been a particular factor in aiding several marginal carriers to survive on their own as well as serving as a key tool for resolving a major rail crisis in the Midwest, involving the Milwaukee Road and the Rock Island, without a public ownership or "Conrail" type solution. The improvements made with Title V assistance have also demonstrably enhanced the safety of rail operations and reduced the likelihood of train accidents.

FRA believes the Title V program has successfully served the overall purpose for which it was intended and has been singularly effective in aiding the Trustee of the Milwaukee in his effort to reorganize the Milwaukee into a competitive and viable railroad providing essential rail service in the Midwest region.

SECTION 511 - LOAN GUARANTEE FINANCIAL ASSISTANCE

SENATOR ANDREWS: Your budget does not request authority to make any new loan guarantee commitments under the section 511 program during fiscal year 1985. Are there applicants out there for this program?

ANSWER: The only active section 511 loan guarantee application currently before FRA is a request from the Seattle and North Coast Railroad for a guarantee of $8.1 million in financing for the acquisition and rehabilitation of a 50-mile branch line and other facilities in the State of Washington

presently owned by the Milwaukee Trustee. However, it is not clear whether the Seattle and North Coast will be continuing to pursue this assistance. According to the Trustee, the Seattle and North Coast has not met the requirements of its purchase and lease agreements with the Trustee and the Trustee has requested that the Reorganization Court enter an order declaring default and forfeiture with respect to the purchase and lease of the property the Seattle and North Coast seeks to acquire.

FRA also has had preliminary discussions with officials of the Missouri-Kansas-Texas Railroad regarding the MKT's interest in a guarantee of $6.4 million to refinance debt guaranteed earlier by the Interstate Commerce Commission; an application for this assistance, however, has not been filed as yet.

SENATOR ANDREWS: Out of the authorized $1 billion for section 511, $600 million has been appropriated and $262.7 million obligated, is that correct? Why in your estimation has only 45 percent of the amount available been obligated? (The Committee realizes that applications through September 30, 1983, have totaled $312.1 million.)

ANSWER: The amounts cited for total appropriations -- $600 million -- and total obligations -- $262.7 million -- are correct.

In the initial stages, use of the section 511 loan guarantees centered with the weaker and bankrupt roads. The reasons may be that the larger roads were concerned that dividend restrictions required under section 511 would place a negative image on their financial status. Also the more solvent roads could obtain financing at comparable rates to a Federal guarantee and avoid the requirements of doing business with the Government.

In more recent years, the railroad industry has shown little interest in the section 511 loan guarantee program possibly because, even with the Government's full backing, the prevailing interest rate for federally guaranteed obligations is still too high to make this an attractive investment vehicle. While a decline in interest rates could make section 511 loan guarantees more attractive, this is offset by even the weaker railroads' present improved ability to obtain access to private sector financing markets. Original section 511 borrowers, such as the Chicago and North Western Transportation Company, have gone to the private sector and been successful in negotiating project funding without Federal assistance. Also, the interim needs arising from the Midwest bankruptcies now largely have been satisfied and there is no demand from that source.

SENATOR ANDREWS: Has the $20 million limitation imposed by the FY 1984 Appropriations Act had any impact on this program? Does FRA expect to make any loan guarantees in this program in FY 1984?

ANSWER: In FRA's opinion, the $20 million annual limitation for FY 1984 has not had any recognizable impact on the section 511 loan guarantee program.

The Missouri-Kansas-Texas Railroad Company has expressed interest in applying for a guarantee of $6.4 million in financing, but it is premature to ascertain what, if any,

guarantee might be provided in response to such an application in FY 1984.

FRA has in hand an application from the Seattle and North Coast Railroad for a guarantee of $8.1 million in financing; however, it is not clear whether the Seattle and North Coast will be continuing to pursue this assistance.

SENATOR ANDREWS: When does the authorization for section 511 expire under existing law?

ANSWER: There is no statutory expiration date for the section 511 loan guarantee program.

SENATOR ANDREWS: FRA has obligated $263 million of the $600 million appropriated for the section 511 program leaving a balance of $337 million. Does the appropriated money have a statutory life? That is, for how long is this balance available for obligation and or transfer? Does the 4-R authorization expire at the end of fiscal year 1985?

ANSWER: The total of $600 million in obligation authority is available without time limitation. However, total commitments to guarantee new loans under section 511 are subject to annual limitations enacted through the appropriation process. The ceiling for new loan guarantees during fiscal year 1984 is $20 million.

There is no statutory expiration date for the section 511 loan guarantee program. However, FRA has not requested any annual limitation in FY 1985 due to the lack of applications.

NORTHEAST CORRIDOR

SENATOR ANDREWS: The number of personnel associated with the Northeast Corridor Improvement Project has dropped from 18 in FY 1984 to your request of seven in FY 1985. Have all these personnel been transferred to the Associate Administrator for Passenger and Freight Services?

ANSWER: No Northeast Corridor Improvement Project personnel have been transferred. Mr. Louis S. Thompson, formerly Associate Administrator for the Northeast Corridor Improvement Project, is now the Associate Administrator for Passenger and Freight Services. The 18 NECIP employees identified in the FY 1984 budget currently report to Mr. Thompson, but work exclusively on Project assignments. The seven that remain in FY 1985 will continue to report to him and work on the NECIP. In addition, personnel in the Office of Passenger and Special Programs and Office of Freight Assistance Programs, paid from the Rail Service Assistance appropriation, now functionally report to Mr. Thompson.

Personnel reductions between FYs 1984 and 1985 will occur through attrition, reassignments within the Office of Passenger and Freight Services and transfers within the agency.

SENATOR ANDREWS: What expertise do the transferred individuals bring to the Associate Administrator's Office? Do you view that as a temporary assignment or a permanent change? Please elaborate.

ANSWER: As stated in the answer to the previous question, no personnel transfers have occurred. Employee reassignments within the Office of the Associate Administrator for Passenger and Freight Services will be considered permanent.

SENATOR ANDREWS: FRA has not requested any further funding for the Northeast Corridor Improvement Project. What will the remaining seven permanent personnel be involved with in FY 1985? Do you have a schedule for the next three years on the personnel levels for this activity? If so, please provide that to the Committee along with a brief description of the work they will be involved in.

ANSWER: The seven remaining employees assigned to the Northeast Corridor Improvement Project in FY 1985 will be involved in: administering existing FRA contracts and cooperative agreements with States and localities where it is not practical that these contracts or agreements be assigned to Amtrak; monitoring the expenditure of funds in the remaining unexpended work releases; and continuing overall surveillance of Amtrak's operation and maintenance of the Corridor and monitoring of additional Amtrak investment, with an eye toward preservation and maximum utilization of the $2.19 billion in Federal funds invested.

At this point it is not firm how many employees will be required beyond 1985. However, at the FY 1986 Appropriations hearings, FRA will be prepared to address the issue of personnel assigned on a permanent basis to Amtrak's operation of the Northeast Corridor. These employees will be under the Rail Service Assistance appropriation.

SENATOR ANDREWS: FRA has not requested any new appropriations for Fiscal Year 1985 for work on the Northeast Corridor. The final FY 1984 request uses up $2.19 billion of the $2.5 billion authorized. Is there additional work to be done on the Corridor? Please provide the Committee a listing of the major projects not covered under the $2.19 billion of appropriated funds (and their associated costs).

ANSWER: When the entire $2.19 billion is spent, rail service on the Northeast Corridor will be vastly superior to that offered prior to passage of the 4R Act. Of course, no rail service can ever achieve perfection, and there are always additional Corridor projects that could be undertaken. Amtrak and FRA have revised the list of such projects contained in Section 704(a)(1)(c) of the 4R Act, and that list is submitted herewith. The list is identical to the list submitted by Amtrak elsewhere in this record, except that it does not contain a funding schedule. It is our view that if additional projects are undertaken they should be funded through Amtrak's normal capital budgeting procedures.

SENATOR ANDREWS: Does FRA believe that there are necessary projects still to be undertaken, and if so, how does it suggest that they be funded? Does FRA believe that projects that still remain are unnecessary or just that they would be more appropriately funded under the Amtrak capital program?

ANSWER: FRA believes that the projects identified in the answer to the preceding question, while having a lower priority than those built under the NECIP appropriation, are worthwhile. If they are funded, it should be through the mechanism of Amtrak's annual capital plan budget request.

REVISED PROPOSED ADDITIONAL IMPROVEMENTS - NECIP PROGRAM

		1984 ($) TOTAL ESTIMATE (000,000)
*1.	Union & Warren Street Bridges	4.7
*2.	New York Tunnel Electrical & Mechanical	6.7
3.	Install reverse signalling between Philadelphia and Morrisville on Number 2 and 3 Tracks	13.3
4.	Install 102.8 track miles of concrete ties, CWR and undercutting between Washington and New York	59.6
5.	Renew 120.1 track miles of existing fit CWR with new CWR on concrete tie track between Washington and New York	33.2
6.	New York Service Facility with enclosed car washer and track renewals	21.4
*7.	M/W Equipment Maintenance Facility	8.0
8.	Install CTC from Landlith to Philadelphia	5.2
9.	Bridge Rehabilitation, South of New York (including Hi-Line)	53.1
*10.	Additional catenary renewal and power supply upgrading Washington to New York	6.0
*11.	Electrification Rehabilitation	1.7
12.	Restore 20 track miles ditch drainage in concrete tie locations between Washington and New York	2.4
*13.	Track rehabilitation. Interlocking work at North Philadelphia, Dock at Newark, New Jersey and other locations, joint elimination and undercutting	8.8
14.	Track improvements consisting of high speed surfacing, improvement of geometry at Interlocking, Rehabilitation N. Y. Penn Station Interlockings, and ballast cleaning with associated equipment repair, brush cutting and material distribution removed from the Program	16.0
15.	Install New York Tunnel evacuation and fire protection facilities	18.1
16.	Roadbed stabilization at various locations between Washington and New York	2.9
17.	Rehabilitate interlockings removed from Program between Washington and New York	12.7
18.	Construct M/W bases at Philadelphia, Sunnyside and Cedar Hill	12.0
19.	Rehabilitation of structural, electrical, and mechanical systems at 30th Street Station	13.3
20.	30th Street Station	5.5
	TOTALS	304.6**

*AS PER PUBLIC LAW 97-468. POSSIBLE SCOPE REDUCTIONS FOR ATLANTIC CITY PROJECT--$30 MILLION IN 1982 FUNDS ESCALATED TO 1984 DOLLARS.

**$310 MILLION FUNDING REQUIRED TO RESERVE FOR INFLATION

SENATOR ANDREWS: Does FRA believe that Amtrak has the legal authority to request funding for the remaining unappropriated $310 million? If not, why not? Please elaborate. If so, would FRA monitor Amtrak's use of those funds or would that be entirely Congressional responsibility under annual appropriations review?

ANSWER: Amtrak does not have legal authority to ask that the remaining $310 million of the NECIP authorization be appropriated directly to Amtrak because the authorization in section 704(a) of the Railroad Revitalization and Regulatory Reform Act of 1976 is for appropriation to the Secretary to implement the goals set forth in section 703 of the Act. Amtrak, however, certainly can ask that the funds be appropriated in two other ways. There is no legal barrier to Amtrak, or anyone else, asking that the rest of the funds authorized for NECIP be appropriated to the Department. If Congress did that, FRA would provide the funds to Amtrak through a grant agreement, as we did with the Jobs Bill funds, and monitor Amtrak's use of the money. Similarly, since Amtrak has the authority to approach Congress directly concerning Amtrak's own budget, Amtrak could ask that the $310 million be appropriated as part of Amtrak's regular, annually authorized capital budget. If Congress did that, FRA would monitor the expenditure of the funds in the same way we now monitor Amtrak's capital budget.

HIGH SPEED RAIL

SENATOR ANDREWS: As the repository for information and expertise on high speed rail projects, could you bring the Committee up to date on FRA's involvement in this area?

ANSWER: We have paired our Northeast Corridor Improvement Program and Amtrak Analysis offices to assemble technical and analytical expertise to assist in the planning and carrying out of high speed rail marketing studies. We are also assisting in the funding of market feasibility studies in the Chicago-Detroit, New York-Montreal, Philadelphia-Pittsburgh, Los Angeles-Las Vegas and Miami-Tampa-Orlando corridors. We are considering funding requests from Texas, Ohio and Pennsylvania.

SENATOR ANDREWS: How much "seed money" has FRA made available to areas for studying the feasibility of high speed rail? Which areas have received funds and how much has each received?

ANSWER: A total of $2.7 million has been granted for high speed rail market feasibility studies, including grants to Michigan, New York, Pennsylvania, Florida, and the City of Las Vegas. The attached table shows which areas have received funds, how much each has received and expected completion dates.

SENATOR ANDREWS: What have been the results of these studies to date? When will the results of studies in progress be available?

ANSWER: Two studies have been completed to date. The original Las Vegas-Los Angeles corridor study found high speed rail feasible in the corridor and recommended a system based on magnetic levitation technology. It also recommended further study. As directed by the Congress, we have granted $1.25 million to the City of Las Vegas for the second phase of the study.

The Michigan study concluded that high speed rail in the Detroit-Chicago corridor would require government involvement, and that a system would have to be justified at least partly on its public benefits.

SENATOR ANDREWS: In which FRA account does the high speed rail-emerging corridor funds appear? How much did you spend in this area in FY 1983, and how much to date in FY 1984? How much is requested for either high speed rail or emerging corridor studies for FY 1985?

ANSWER: The high speed rail-emerging corridor funds appear under the Rail Service Assistance appropriation, Administration and Special Projects program. In FY 1981, $4 million was appropriated. To date, $2.7 million has been provided for high speed rail corridor grants and another $500,000 has been spent on passenger corridor analysis; $800,000 remains unobligated. FRA obligated $250,000 in FY 1983 and $1,950,000 in FY 1984. No funds are requested for high speed rail corridor studies in FY 1985.

DEPARTMENT OF TRANSPORTATION - EMERGING CORRIDOR FUNDS

HIGH SPEED RAIL (HSR) GRANTS

Grant Date	Corridor To Be Studied	Grantee	Federal Funding	Results
3/83	Chicago-Detroit	Michigan State Univ.	$ 50,000	Found previous study optimistic; HSR not feasible in private sector without government support based on public benefits.
7/82	New York-Montreal	New York DOT	350,000	Study in progress. Due 7/84.
8/83		Vermont Agency of Transportation	200,000	Study in progress. Due 8/85.
10/83	Philadelphia-Pittsburgh	Pennsylvania High Speed Intercity Rail Passenger Commission	200,000	Study in progress. Due 4/85.
12/81	Los Angeles-Las Vegas	City of Las Vegas	150,000	Found Maglev feasible in corridor.
12/83			1,250,000	Study in progress; verify first study and examine environmental and other aspects of Maglev. Due 7/85.
12/83	Miami-Tampa-Orl.	Florida DOT	500,000	Study in progress. Due 7/85.
	TOTAL HIGH SPEED RAIL GRANTS		2,700,000	

ALCOHOL AND DRUG

SENATOR ANDREWS: On February 14, 1984, a Department of Transportation press release announced that calendar year 1983 was railroads' safest year. A number of recent rail accidents, however, have been attributed to alcohol. What steps are being taken, by FRA, to prevent just-before or on-the-job alcohol and drug use? Are you promulgating regulations or standards in this area? If not, why not? If so, please update the Committee on those efforts.

ANSWER: The FRA has been addressing the alcohol/drug issue from two directions, voluntary and regulatory. Last November the FRA hosted a National Planning Conference on Voluntary Programs to Prevent Alcohol and Drug Use for the senior officials from the carriers and labor organizations. At the conclusion of the conference a planning committee was established to explore initiatives to upgrade voluntary programs. Regular meetings are scheduled to focus on specific education, awareness, and deterrent issues.

On the regulatory side, we have issued an advance notice of proposed rulemaking (ANPRM), held public hearings, and are currently in the process of completing a notice of proposed rulemaking (NPRM).

SENATOR ANDREWS: What further action is FRA taking in response to the July 1983 advanced notice of proposed rulemaking? Is there an implementation date? If not, why not?

ANSWER: The alcohol/drug notice of proposed rulemaking is one of FRA's highest priorities. An NPRM will be announced early this summer.

SENATOR ANDREWS: Is the federal position similar to the Rule "G" of the Standard Operating Code for railroads?

ANSWER: FRA will be happy to share the NPRM with the Committee upon its completion. For the moment, we are avoiding comments on the drafts under consideration to avoid violating the ex parte communications rule.

SENATOR ANDREWS: Are funds being used in FY 1984 or budgeted in FY 1985 to further study this problem? How much for each year?

ANSWER: The FRA has obligated about $80,000 in FY 1984 for planning, conferences, and updating material associated with the voluntary side of the alcohol/drug program. We anticipate using an additional $120,000 for other voluntary initiatives through the end of FY 1984. The FRA budget for FY 1985 contains $200,000 to continue the voluntary program effort in FY 1985.

SENATOR ANDREWS: How much has FRA expended through the end of FY 1983 in this area -- personnel and associated costs?

ANSWER: From FY 1978 through FY 1983 the FRA has expended about $770,000 on the alcohol/drug program. This was used for the "Railroad Employee Assistance Project" (REAP), conferences, workshops, training, and other studies. The REAP project used about $500,000 of the total funds. Personnel costs consist of several tasks, spread between the Federal programs and safety offices. Total personnel associated with the effort are less than a man-year on an annual basis.

RAILROAD SAFETY - PASSENGER

SENATOR ANDREWS: In the January 1984 Railroad Passenger Equipment Safety Report to Congress, you state that a comprehensive exam has been done on safety issues associated with the rail passenger system. Are you promulgating standards in this area?

ANSWER: FRA has taken two regulatory actions in this area, will soon issue flammability guidelines on rail passenger equipment materials, and has announced two other passenger safety initiatives. These actions are summarized below:

On January 17, 1984, FRA issued a final rule extending coverage of its Track Safety Standards to all track used exclusively for rail commuter service. On the same date, FRA also amended its Power Brake Standards to ensure continued inspection and testing of passenger car brakes.

FRA will soon issue guidelines, consistent with those developed by the Urban Mass Transportation Administration, on the flammability and smoke emission characteristics of materials used in the construction of rail passenger equipment.

FRA has initiated a General Safety Inquiry to obtain information from the public to assist in assessing the potential impact of technological developments and operational changes on rail passenger equipment. This information will be used in determining the future need, if any, for establishing minimum criteria for the condition of various safety critical components such as wheels, axles, and bearings. FRA will hold a public hearing on May 29-30, 1984, in connection with the Inquiry.

In addition, FRA will sponsor an industry-wide review of emergency procedures by passenger service providers to ensure that adequate measures for emergency preparedness are in use throughout the systems within FRA's jurisdiction.

SENATOR ANDREWS: You further state that FRA considered relevant recommendations of the National Transportation Safety Board (NTSB). Where were NTSB's recommendations incorporated in your January report?

ANSWER: Recommendations from the NTSB have been very helpful in confirming ways in which rail passenger car safety could be enhanced. While the FRA did not specifically itemize NTSB's recommendations in the subject report, FRA did draw heavily from them in reviewing accident information and formulating past and future initiatives.

For example, initiatives discussed in the report where FRA action coincides with the subjects of NTSB recommendations include car body structure, flammability and smoke emission of interior materials glazing, interior design, emergency systems and exits, and emergency procedure training.

UNION STATION

SENATOR ANDREWS: Please provide for the record a brief description why security costs for Union Station have increased. Has FRA investigated the use of Park Police for the station? Are you using contract security personnel? Are the security costs shared by Amtrak and the District of Columbia? Who provides security for the parking garage work and equipment?

ANSWER: In developing a budget for rent, operation, and maintenance of Union Station, we asked the National Park Service what it had spent for those purposes, including security. From the information supplied, we were unable to determine precisely the Park Service's costs for security, but it appeared that utilities alone might exceed the $345,000 per annum that would be available at the previous level of funding.

We then determined that one uniformed officer is needed on patrol inside the station around the clock and that one is needed outside the station 16 hours per day. We asked the Park Service if they would furnish Park Police to meet that need. The Park Service refused on the grounds that all of its officers are needed elsewhere. We then turned to the Washington Terminal Company, a wholly-owned subsidiary of Amtrak with which we are contracting for operation and maintenance of the station, to provide security. At present rates of pay and fringe benefits, security from Washington Terminal Company will cost $326,000 annually.

Washington Terminal Company is providing its services at cost, so Amtrak is sharing in the cost of security. The District of Columbia is requiring its construction contractor to provide security for the garage during construction, so it, too, is sharing in the cost of security.

SENATOR ANDREWS: How much of the $750,000 is for maintenance, how much for operation, and how much for security services? Is it likely that these costs might increase in future years? If so, please elaborate.

ANSWER: Building maintenance, including personnel, is estimated to cost $182,000. Operation, including utilities, is estimated to cost $242,000. Security is estimated to cost $326,000.

The hourly cost of labor is likely to increase somewhat, but the amount of labor needed should decrease. Once the short-term repairs and the roof repairs are completed, some of the conditions that now require heavy maintenance will be corrected or eliminated. Once construction begins on rehabilitating the building, maintenance requirement will be reduced more sharply because the construction contractor will be replacing or repairing the elements of the building that now need maintenance. When construction of the building is finished, the developer and tenants will take over operation and maintenance of the building.

Utility costs should increase until construction is completed and the developer and tenants assume the utility obligations because large amounts of electricity and adequate heat will be needed during construction.

We will need some direct experience in operating and maintaining this building to give you good estimates of the costs we are likely to experience beyond fiscal year 1985.

RAILROAD RESEARCH AND DEVELOPMENT

SENATOR ANDREWS: What was the programmatic decrease in "other services" from FY 1984 to FY 1985 for Railroad Research and Development? What does this cover? How quickly will the obligation of $12.575 million made in FY 1984 spend?

ANSWER: The $12.575 million shown on the Program and Financing schedule as "Other" is all carryover funds

from prior year appropriations. The following are the various projects which make up this program: East St. Louis Project; Office of Policy - Contractual Services; Cost Avoidance and Reduction Activities - Set Aside; and, other miscellaneous projects. The expenditure of these obligations will occur during FY 1984, 1985 and 1986 based on work in progress on the contracts.

SIGNIFICANT RULEMAKINGS

SENATOR ANDREWS: What is the status of your rulemaking efforts in the areas of:

-- alcohol and drug abuse
-- hump yard safety
-- commuter track
-- EPA noise regulation compliance
-- passenger regulations
-- and small railroad deregulation.

ANSWER: FRA issued an advance notice of proposed rulemaking on July 5, 1983, and is now working on a notice of proposed rulemaking dealing with alcohol and drug abuse.

FRA has published final rules on hump yard safety (February 22, 1984), commuter track (January 17, 1984). FRA has begun a Special Safety Inquiry to assess the potential impact of technological developments and operational changes on rail passenger equipment. The information in that proceeding will be used in determining the future need, if any, for establishing minimum criteria for the condition of various safety critical components such as wheels, axles, and bearings. FRA will hold a public hearing on May 29-30, 1984, in connection with the Inquiry. A notice of proposed rulemaking to reduce the burden on small railroads of certain FRA reporting requirements is currently under review. FRA is now analyzing whether additional regulatory relief for small railroads is justified.

SENATOR ANDREWS: When will the Committee see these rulemakings?

ANSWER: FRA expects to publish its notice of proposed rulemaking on small railroad deregulation discussed above in May. FRA hopes to publish a notice of proposed rulemaking on alcohol and drug abuse by the early summer. At this time, FRA cannot predict whether the Special Safety Inquiry on passenger equipment components will indicate the need for regulations.

SMALL RAILROADS - DEREGULATION

SENATOR ANDREWS: Could you update the Committee today on preliminary findings in the Small Railroad deregulation area?

ANSWER: FRA has determined that safety statistics do not support a blanket exemption for small railroads from Federal safety requirements. We are, however, reviewing our regulations and reporting requirements on a case by case basis to determine: (1) whether reporting requirements can be eased consistent with the public interest, and (2) whether there are specific regulations that burden smaller railroads but have no impact on safety in the context of these smaller operations. FRA is continuing to analyze the

efficacy of each safety regulation in comparison to railroad size and attendant operational characteristics. Reporting requirements for certain small railroads will be lessened in the near future.

INSPECTOR WORKLOAD - PRIORITIES

SENATOR ANDREWS: In determining workload, what criteria does FRA employ to set priorities for its rail inspection personnel? When would an FRA inspector work on enforcement activities versus accident investigation?

ANSWER: Work priorities are established for rail inspection personnel on the basis of the following criteria: (1) Railroad conditions critical to railroad safety as observed during a previous inspection; (2) Railroad safety deficiencies determined as a result of railroad accident investigations; (3) Areas of carrier deficiencies affecting safe operation of the railroad as uncovered during the performance of an individual carrier assessment; and (4) Conditions affecting public safety which have been brought to the attention of the FRA.

FRA would consider an inspection or enforcement activity taking priority over accident investigation only when such activity would result in the prevention of a rail accident of a serious nature if the conditions were not immediately addressed.

INSPECTION WORKLOAD - COSTS

SENATOR ANDREWS: Please provide the Committee workload data for FY 1983, FY 1984 and estimated for FY 1985 on the inspector personnel, time and associated costs spent on enforcement activities versus accident investigation.

ANSWER: The time and associated costs for FRA accident investigation work has, over several years, been very close to one tenth the time and costs associated with enforcement activities. This ratio was true in 1983 and is projected for 1984 and 1985. Of course, FRA accident investigations are a form of enforcement activity, because a primary reason for an accident investigation by FRA is to determine if any Federal laws or regulations were violated in the circumstances leading to the accident.

FRA/NTSB - MEMORANDUM OF UNDERSTANDING

SENATOR ANDREWS: The Committee understands that FRA and NTSB are working on a "Memorandum of Understanding" regarding the working relationship between the two agencies when investigating accidents. When will the "Memorandum of Understanding" be completed and implemented?

ANSWER: NTSB has the statutory authority to investigate any railroad accident that causes a fatality,

substantial property damage, or that involves a passenger train. In accordance with the existing memorandum of understanding, FRA assisted the NTSB in the 11 major railroad accidents it investigated during 1983. I believe this cooperative relationship is working well and there is no need for a new memorandum of understanding.

UNION STATION LANGUAGE CHANGE

SENATOR ANDREWS: In the budget justification (Pg. 57) there is suggested appropriations language regarding the sale or transference of Union Station. Please provide the Committee an explanation as to the effect of this language change. Why is this change necessary?

ANSWER: The language inserted by the Appropriation Committees prohibits the sale or tranference of Washington Union Station without Congressional approval: "..."Provided further, that none of the funds in this Act shall be available for the acquisition, sale or transference of Washington Union Station without the prior approval of the House and Senate Committees on Appropriation...". The language change deleting the phrase "the prior approval of" and inserting "advance notice of not less than _____ days", was made by an OMB attorney. The change was made in order to comply with the Supreme Court's decision in INS v CHADA which held Congressional vetoes to be unconstitutional. At this time the language change is a moot point anyway as our lawyers have determined that we do not have the authority to sell Washington Union Station.

OFFICE OF THE ADMINISTRATOR

SENATOR ANDREWS: Why do benefits for former personnel jump from $35,000 in 1984 to $140,000 in FY 1985? What does "benefits for former personnel" cover?

ANSWER: The increase in "benefits to former personnel" was based on an anticipated reduction-in-force during FY 1984 resulting from a reduction in staffing ceilings in other than Safety personnel. The reduction is being achieved through attrition and no reduction-in-force will be necessary. Benefits for former personnel covers severance pay and unemployment compensation.

UNIFORM RAILROAD COSTING SYSTEM

SENATOR ANDREWS: Does delay of implementing the Uniform Railroad Costing System (URCS) interfere with or prevent the economic studies planned for FY 1985?

ANSWER: Even if the use of URCS in ICC regulatory proceedings is delayed, the system is sufficiently developed to be used in economic studies where costing is required. URCS provides greater detail and flexibility than the Rail Form A system, and is more sensitive to differences between individual railroads and regions. Additionally, it is based on cost data for the four most recent years available (1978-81) while Rail Form A was developed using

cost relationships for 1966-69, with 1977 cost figures for individual expense categories.

CONRAIL LABOR PROTECTION

SENATOR ANDREWS: How many employees does the $15 million requested for Conrail labor protection cover?

ANSWER: The $15 million FY 1985 request would fund an average of 1,500 monthly subsistence payments and an average of 12 lump-sum separation payments per month. Estimates for labor protection liability are based on analysis of the number of employees receiving subsistence payments, the number who have exhausted their benefits, projected employment, attrition rates, the average length of time an individual is receiving benefits, and the ratio of employees electing the lump-sum separation option versus the daily subsistence allowance option.

The average number of subsistence allowance claims processed by the Board per month since June 1982 is 2,472. This number approximates the average number of people receiving subsistence benefits each month. Recently claims have decreased to less than 2,000 per month.

There also has been a decrease in the rate of lump-sum separation payments from 75 per month in FY 1983 to 23 per month in FY 1984. This level is expected to decrease further in FY 1985. There also has been a significant decrease in the rate of payout of 701 benefits. Whereas monthly benefit payments averaged $5 million during FY 1983, monthly payments during FY 1984 have been averaging about $2 million per month. This trend should continue.

We have sought to insure adequate funding of the program. The FY 1984 supplemental request for $25 million, of which $15 million is a transfer from the "702" account, plus the $15 million requested for FY 1985, will ensure the continued timely payment of benefits.

SENATOR ANDREWS: This request is predicated on the assumption that Conrail is sold as an entity in FY 1985. What is the estimated range of possible payments under the Section 701 program? Does the $15 million represent the median figure or the most probable amount? Please elaborate.

ANSWER: The $15 million represents FRA's best estimate of labor protection liability in FY 1985, given recent trends and analysis of the factors constituting the demand for labor protection payments. The FY 1984 supplemental request of $25 million and the $15 million requested for FY 1985 will ensure that sufficient funds are available for the continued timely payments of benefits without threat of interruption. Whether any material employment impacts will result from the sale depends upon who the ultimate purchaser may be and the nature of the transaction.

SENATOR ANDREWS: Does your statement that $125 million has been appropriated through FY 1984 include the $10 million supplemental requested for FY 1984?

ANSWER: No, the $125 million represents total funds appropriated to date.

Appropriation of the supplemental request of $25 million, of which $10 million is new budget authority and $15 million is a transfer from the "702" account, would bring the total "701" appropriation to $150 million.

SECTION 505 - REDEEMABLE PREFERENCE SHARES

SENATOR ANDREWS: Could you provide the Committee a ranking on efficacy of the pending applications for section 505 funding? Do the Pennsylvania and Delaware and Otsego applications compete for the same traffic?

ANSWER: The projects being considered by FRA are in varying stages of submission and evaluation. The current situation may be summarized as follows:

The Terminal Railroad Association of St. Louis has informed FRA that it does not plan to complete an application for the $20 million in section 505 funding which Congress designated for the modernization and improvement of the St. Louis rail terminal. No action has been taken by the Congress or by FRA to reprogram the funds designated for the St. Louis project.

FRA expects to execute an agreement with the Trustee of the Milwaukee shortly to provide $6 million of section 505 funding for the rehabilitation of 156 miles of track between Minneapolis and Appleton, Minnesota ("Ortonville Line").

The Iowa Northern Railroad Employees Association is seeking $4.0 million of section 505 funds to assist in the purchase of Rock Island line segments in Iowa between Manly-Cedar Rapids (125 miles) and Vinton-Dysart (15 miles). FRA is working actively with the State of Iowa, shippers and other interests in an effort to develop a joint financing arrangement which would permit completion of the Iowa project.

Preliminary discussions have been held with Detroit and Mackinac officials, but the railroad has not yet submitted a firm proposal for consideration by FRA.

The Hillsdale County Railway Company applied in June 1982 for $2.48 million in section 505 funds to rehabilitate 29.8 miles of track in Indiana. The application is out of date and is not being actively pursued by the railroad. FRA staff has suggested to the railroad's management that in light of a number of obstacles to overcome to obtain section 505 funding, the railroad seek to obtain the proposed track rehabilitation financing from Local Rail Service Assistance Program and private sources to complete the project.

The North Central Oklahoma Railway's application has been amended several times to reflect adjustments in the Federal funding requested and properties to be acquired. The economics of the proposed project are weak. If the required statutory determinations for providing assistance to the railroad can be made, FRA would join with other participants in financing support of the railroad's project, to the extent Federal assistance is available.

In the Conference Report accompanying the Department's FY 1984 supplemental appropriation, the conferees urged FRA to give priority consideration to the redeemable preference share (section 505) project applications of the Erie Lackawanna (Monroe County Railroad Authority) and the New York, Susquehanna and Western Railroads (Delaware Otsego Corporation) to the extent that such projects can be funded from surpluses derived from existing projects for which preference share funds have been reserved. Preapplication conferences have been held with Monroe County and Delaware Otsego representatives, but to date formal applications for preference share funding for those projects have not been submitted to FRA.

The Monroe County and Delaware Otsego proposals affect parts of alternate rail routes between Buffalo and New York City. Thus, it is possible that there may be some competition for the same traffic between the two proposals.

STAGGERS ACT MONITORING

SENATOR ANDREWS: What is FRA doing to monitor implementation of the Staggers Act? How much in terms of dollars and personnel is being expended in monitoring Staggers Act deregulation? For the record please provide a descriptive table that gives personnel and funding levels expended in this area since Staggers and the expected level for FY 1985. A brief description of the types of work that personnel are involved in would be appropriate along with the office they work in.

ANSWER: The Office of Economic Analysis, which is part of the Office of Policy, has primary responsibility for research on the Staggers Act. The following table sets out the professional staff levels for the office from FY 1981 through FY 1985, as well as an estimate of staff resources assigned to this work. (The office also conducts research on other economic issues affecting the railroad industry and provides support for DOT participation in ICC regulatory filings.)

				Estimated	
	FY 81	FY 82	FY 83	FY 84	FY 85
Total Professional Staff (end of fiscal year)	14	12	9	8	8
Full-Time Equivalents (FTE's) on Staggers Act research	4.0	3.5	3.5	2.5	2.5

In addition to staff salaries and support, a total of $35,000 has been expended to date in support of in-house analysis of the effects of the Staggers Act. Projects included (1) an analysis of the (then) proposed boxcar exemption; (2) compilations of data on railroad-shipper contracts (FY 81-82); (3) an FY 83 analysis of the captivity of export grain shippers in four states; and (4) on-going monitoring of changes in export coal rate relationships. The costs represent computer processing costs, an allocation of the office's subscription to several Data Resources, Inc. models and data bases, as well as subscriptions to journals and other trade publications.

Approximately $110,000 has been expended since FY 81 for outside support. Projects have included (1) an analysis of the regulatory treatment of contract rates, done by the Transportation Systems Center (TSC); (2) ongoing TSC analyses of coal shipper captivity; (3) outside computer support for staff research on utility coal transportation alternatives (FY 83); and (4) ongoing analysis of the change since the Staggers Act in the export grain rate structures of all modes. Additionally, we anticipate beginning two other research projects in FY 1984, one on the effect of joint rate cancellations and one on the effect of rail contract rates. In FY 85, we plan to study the impact of the boxcar exemption on car hire and car service, and continue research on the degree to which shippers of various commodities are captive to rail.

FISCAL YEAR 1984 SUPPLEMENTAL REQUESTS

SENATOR ANDREWS: The Committee is being requested to provide a total of $125.58 million in new FY 1984 appropriations primarily to cover interest payments on prior years' borrowings. $16.721 million is for debt interest settlements of railroad litigation associated with former bankrupt lines that merged to form Conrail, $108.73 million is due on Amtrak defaults of a loan, and $66,000 is interest due on a Delaware and Hudson loan. Is this the final installment on all these debt issues?

ANSWER: The $16.721 million requested for Settlements of Railroad Litigation is for interest accrued during FY 1984. An additional $286.079 million in "appropriation to liquidate borrowing authority" is also requested. While this would include liquidation of principal on three settlements which occurred during FY 1983, the majority of the request would cover liquidation of interest which has rolled over each year on prior settlements. This request would absolve us of all principal and interest associated with these prior settlements.

Similarly, the $108.793 million of budget authority and $1,119,636,000 "appropriation to liquidate borrowing authority" for Amtrak would cover the default which occurred on October 3, 1983, and accrued interest thereafter.

Finally, the $66,000 for accrued interest on the Delaware and Hudson loan, along with the $667,000 "appropriation to liquidate" will absolve FRA of this debt.

SENATOR ANDREWS: Is FRA responsible for interest on other debt instruments?

ANSWER: No.

SENATOR ANDREWS: Do all these supplemental interest payments assume an August 31, 1984 payment date? What is the government liable for if there is later than anticipated enactment?

ANSWER: Yes, an August 31, 1984 payment date is assumed in all these cases which were based on our best estimate of when the FY 1984 supplemental appropriation would be enacted. If enactment is later, we would be responsible for any interest accrued after August 31 until the date of enactment, and would request payment in the FY 1986 appropriation request.

JOBS BILL OFFSET

SENATOR ANDREWS: Is there report language or members' floor statements that this Committee should be aware of that supports the proposition that the Jobs Bill money was an advance against future year capital requirements? If so, please provide them to the Committee.

ANSWER: At the time President Reagan signed the Jobs Bill into law, he indicated that he supported this legislation because it permitted projects of lasting value to be advanced

sooner than would otherwise be possible. The offset of a portion of Amtrak's capital grant for part of the funds received under the Jobs Bill is consistent with the Administration's position that the Jobs Bill represented an acceleration rather than additional projects.

AVOIDABLE LOSS AS A TEST FOR 403(b) AND 403(d)

SENATOR ANDREWS: Do Amtrak and FRA support the use of avoidable loss per passenger mile as a test for 403(b) and 403(d) train service? Please elaborate.

ANSWER: Yes, FRA supports the use of avoidable loss criteria as a test for 403(b) and 403(d) routes because we recognize that there is only a finite amount of Amtrak resources that can be committed to support of its intrastate services without having an adverse impact on the Corporation's ability to serve its basic system. We have proposed that State subsidies pay an increasing amount of the losses on intrastate routes. We think it only reasonable, at the same time, to insist that ridership be sufficient to keep that subsidy down to a reasonable level. Avoidable loss per passenger mile is an appropriate measure of that subsidy level--one that accounts for the number of passengers carried, the length of each trip, and the length of the line.

AMTRAK LEGISLATIVE PROPOSALS

SENATOR ANDREWS: The budget for fiscal year 1985 on page 5-77 states that the following legislative measures for 1986 and beyond will be proposed for Amtrak: applying performance standards to intrastate and commuter trains, phasing in increased state and local funding for these trains and tightening existing performance standards for interstate trains. Could you tell the Committee the status of those proposals? When will we likely see the proposals?

ANSWER: The Administration's legislative proposals were submitted to the Congress on March 29, 1984.

PROPOSED AVOIDABLE LOSS PERFORMANCE STANDARD

SENATOR ANDREWS: The existing performance standard for short term avoidable loss per passenger mile is 13.7 cents for short distance trains and 10.6 cents for long distance trains. Is changing this standard part of your proposal? To what levels would you change this measure?

ANSWER: Changing the short term avoidable loss per passenger mile performance standard to 8 cents for long distance trains and 10 cents for short distance trains in FY 1985 is part of the Department's legislative proposal. The current standards are now met so easily by most Amtrak trains that they offer virtually no incentive to improve performance. The fact is, all trains that meet the current standards would meet the proposed standard as well. However, the proposed standards would leave less room for deteriorating performance and provide more incentive to seek improvements, especially on routes that barely meet the new standard.

QUESTIONS SUBMITTED TO THE FEDERAL RAILROAD ADMINISTRATION BY SENATOR CHILES

RAILROAD - ALCOHOL USE REGULATIONS

SENATOR CHILES: The Federal Railroad Administration has been at odds with the National Transportation Safety Board for a number of years on the need to issue a new rule on the use of alcohol by railroad employees. The railroads and FRA have argued that the current rule, known as Rule G, is adequate. Essentially, this rule requires the dismissal of any employee who is reported to have been using alcohol while on the job. Because of the strictness of this rule, few people were ever reported and considerable alcohol abuse occurred and many train accidents have been associated with alcohol.

When does FRA plan to move on putting out a proposed rule on this subject and essentially, what will FRA propose?

ANSWER: In the past year, FRA has made a major effort to seek both regulatory and voluntary solutions to the problem of alcohol and drug use in railroad operations. On June 30, 1983, FRA published an advance notice of proposed rulemaking (ANPRM) laying out a wide range of options for regulatory and other action. Field hearings were held in Atlanta, Kansas City and Sacramento. Two full days of hearings were held here in Washington, concluding on September 2, 1983. The public comment period on the advance notice closed on October 17, 1983.

FRA has now reviewed all of the comments in response to the advance notice and expects to send a notice of proposed rulemaking forward for review within the Department and the Executive Branch next month. It would not be appropriate for FRA to announce the specific proposals that will be contained in the notice until Executive Branch review is complete, but FRA does intend to propose strong action to address this longstanding problem.

All of the major parties concerned with the alcohol and drug problem, including labor, management, and NTSB, recognize that regulations alone can never do the job. Therefore, on November 17 and 18, 1983, FRA sponsored a National Planning Conference on Voluntary Measures to Prevent Alcohol and Drug Use in the Railroad Industry. Unlike five previous national conferences sponsored by FRA, this meeting was designed with a special focus on the safety dimensions of alcohol and drug use. Further, it was designed to foster sustained action by labor, management and Government at the national level. The conference participants have responded to this challenge by establishing a planning committee and three working groups that are meeting on a regular basis to forge specific strategies. We will continue to support this effort through FRA participation and appropriate funding for pilot projects that have the support of the parties.

INSPECTORS - HIRING

SENATOR CHILES: Mr. Riley, I noted in your statement reference to the fact that during the 5 years between 1979 and 1983 train accidents have decreased 60%; railroad fatalities have declined 25% and railroad injuries have dropped by 53%. During that same time period grade crossing accidents have decreased and resulting fatalities and injuries have declined by 35 and 40% respectively. This certainly is an impressive safety record that we all can be pleased with. Your statement also noted the fact that you've recently hired over 30 additional safety inspectors and your field force now consists of 321 safety inspectors against an authorized ceiling of 325. While it is difficult to argue with hiring more safety inspectors, it certainly appears that in view of the remarkable and improving safety statistics noted in your statement, there seems to be some question as to why additional safety inspectors were recently hired. Why was the decision made to hire the additional safety inspectors?

ANSWER: There have been 30 to 50 existing railroad safety inspector vacancies for a number of years. Through active recruitment efforts we have been able to fill these positions, and we believe a full force of 325 inspectors is essential to maintaining this improvement in safety performance as volume and train miles increase rapidly as the industry recovers from recession. The inspectors are necessary in order to maintain an adequate level of on-site monitoring of carrier safety conditions in addition to conducting a minimum of 4 systemwide assessments annually. The FRA believes that a proper mix of system assessments and regular inspection activities will continue to aid in bringing about major improvements in railroad safety.

PASSENGER RAIL CAR FIRES

SENATOR CHILES: Several recent accidents involving fire and injury in Amtrak and commuter railroad passenger cars indicate a need for federal passenger car standards. The NTSB, since 1970, has been disclosing the need for such standards. What is the status of the FRA's recent efforts in promulgating federal passenger car safety standards?

ANSWER: In January of this year, FRA announced two initiatives that respond to these concerns. First, FRA will soon publish guidelines, consistent with those developed by the Urban Mass Transportation Administration on the flammability and smoke emission characteristics of materials used in the construction of rail passenger equipment. These guidelines should greatly assist passenger car designers, builders, and passenger operators in protecting rail passengers from fire and smoke. Second, FRA has initiated a General Safety Inquiry to obtain information from the public to assist in assessing the potential impact of technological developments and operational changes on rail passenger equipment. This information will be used in determining the future need, if any, for establishing minimum criteria for the condition of various safety critical components such as wheels,

axles, and bearings. FRA will hold a public hearing on May 29-30, 1984, in connection with the Inquiry. If the information developed during that Inquiry supports the need for further regulatory action, FRA will not hesitate to act.

BRIDGE/TUNNELS

SENATOR CHILES: Recent highway accidents have disclosed deteriorating bridges on our nation's highways. Likewise several railroad accidents and incidents have disclosed the possibilities of inadequate maintenance and inspection of railroad bridges and tunnels. Is the FRA doing anything to preclude a rash of accidents involving deteriorated railroad bridges and tunnels and is the FRA contemplating the need for minimal safety standards concerning such structures?

ANSWER: As noted in NTSB recommendations, the maintenance problem is more due to inadequate resources than a lack of Federal standards.

On the Northeast Corridor (NTSB's primary area of concern), much of the problem is due to "orphan bridges" which do not have clear ownership and maintenance responsibilities.

FHWA has a program under which it would provide 80 percent funding for rehabilitating the bridges if state and local governments provided the remaining 20 percent.

Amtrak, FRA and FHWA have discussed a proposal, not yet final under which Amtrak will provide half of the non-Federal funds if the states will provide the other half.

Furthermore, in light of NTSB's comments, FRA will place added emphasis on bridge and tunnel inspections in its upcoming system assessments.

UNION STATION

SENATOR CHILES: Included in the fiscal year 1985 request is $4,250,000 to provide the funding necessary for the Union Station lease payments made to Penn Central and CSX subsidiaries who own the station. This payment is required under a 25-year lease agreement that has 18 more years negotiated, and was originally negotiated by the Department of the Interior. Consideration was given by the Department of the Interior to buy out the lease which would save the Government a significant amount of money. For example, the Committee has been informed that the lease could be purchased for $13 million in cash. Additionally, this may be advantageous to the development companies in terms of their financing and consequently a better deal might also be struck with the development companies.

Now that the Union Station Redevelopment Corporation is underway and all funding needed for the project has been identified and made available, has the Department given consideration to a buy-out of the lease? How would a lease buy-out be financed? Should we expect to see a large appropriation request for this purpose?

ANSWER: Having just received the transfer of the lease from the Department of the Interior, we are only now in a position to consider buying out the lease. We are prepared to discuss buying

out the lease with the owners. The offer the Committee was informed about is an old one, and we would like to explore what changes the owners might be willing to make. We are not yet sure how we would propose to fund a lease buy-out, but we would want to explore the other alternatives before seeking an appropriation.

NEW MISSION FOR FRA

SENATOR CHILES: Mr. Riley, it seems that the FRA is significantly changing its character and mission. This year you are proposing termination of your state safety grant program, elimination of your local rail service assistance program and termination of direct loan and loan guarantee programs once the remaining balances in those two accounts are exhausted. Your statement also makes note of the fact that the Alaska Railroad is being returned to the State of Alaska, the Northeast Corridor Improvement Project is winding down with no additional funding requested, the sale of Conrail is just around the corner, and the Pueblo test center has been turned over to the private sector. Your statement and the agency's budget justification gives special emphasis to new "strike teams" to provide technical assistance to the railroad industry. It seems that FRA is emerging as a safety and technical advisory body as opposed to an operating agency with a number of financial assistance programs. In view of this change, should the FRA be considered for merger into the Administration's new Transportation Safety Administration? If not, why not?

Your statement mentioned that the "real action" in the rail industry today is with the merger of abandoned lines to help provide new local and subregional service. All of the attention of course has been on the major Class I railroads and the merger activity associated with those national rail networks. In view of the fact that the action now seems to be shifting more to localized situations that have traditionally been less financially viable, doesn't this fact add another note of irony to the proposed elimination of all the financial assistance programs? If not, why not?

ANSWER: Like all public agencies, the Federal Railroad Administration must be responsive to a changing economic environment and program requirements. The rail industry and state rail assistance programs and the Federal government's funding of Conrail and the Northeast Corridor Improvement Project (NECIP) were initiated in the mid-seventies for specific purposes of limited duration. The financial improvement in the railroad industry, especially Conrail, and completion of NECIP allow these Federal financial programs to sunset as originally intended. FRA will continue to provide technical assistance to localities and shippers which are faced with rail service discontinuance and to assist states in developing similar expertise. The technical assistance will focus both on alternative rail services and the economics and logistics of continuing rail service through short line operations.

The Administration has proposed to merge several separate traffic safety functions into a single new agency called the National Traffic Safety Administration. The new administration would combine currently separate truck and auto safety offices into a single bureau that would permit a more coordinated approach to highway safety. I share the Secretary's view that railroad safety and assistance to rail users is best served by maintaining a separate Federal Railroad Administration and by not merging the rail safety program into the proposed National Traffic Safety Administration. The regulations, inspection practices and other safety requirements of railroad safety are sufficiently different from highway safety issues to preclude economies-of-scale from merger of these safety programs. Moreover, the success of our rail safety efforts in recent years argues strongly for the preservation of the existing structure.

Finally, I must emphasize that FRA is involved in many important rail issues besides safety and technical assistance. FRA is the lead Federal agency for formation and communication of the Administration's rail freight and intercity rail passenger policies, including the many regulatory and legislative issues associated with the railroad industry. The Congress approved a separate railroad agency within DOT in part to make sure that railroad issues received independent attention. That requirement will not be diminished even with elimination of the several rail freight assistance programs within FRA. I would emphasize that in instances where we can no longer be a banker of dollars, FRA will continue to play the essential role as a banker of ideas for the rail industry.

We recognize that the presence of deficits exceeding $170 billion will compel Congress to make difficult financial decisions. Agencies such as ours have to evaluate the role they can play to advance the public interest consistent with the shrinking availability of Federal financial resources. In many of the cases where railroads apply for Federal financial assistance, the potential for private financing is present. Shippers, faced with the short time lines inherent in the abandonment process, simply lack the expertise to locate available financing and to assemble a financing package in time. By providing that expertise with the shipper-community assistance strike force that we have established in FRA, we believe we can solve real world problems while at the same time lessening the demand for scarce Federal resources.

LOCAL RAIL SERVICE ASSISTANCE

SENATOR CHILES: The Fiscal Year 1985 budget proposal for the section 803 Rail Service Assistance Program provides only $8.4 million for salaries and expenses and eliminates the $15 million provided in this account last year for assistance to the states. As you know, approximately $2-1/2 million of the Fiscal Year 1984 funding was discretionary with the remaining $12-1/2 million provided to the States on a formula basis. The formula is based on

track miles that have been abandoned and track miles for which applications for abandonment have been filed with the Interstate Commerce Commission. All states are provided with at least 1 percent of the funding, including those states (Alaska and Rhode Island) for which there are no abandoned track miles. States however must apply for the money and if it has not been obligated by April of each year, the formula money then becomes available for discretionary spending.

When Secretary Dole was before the Committee on February 23, she stated her objections to the Program. Essentially the Secretary expressed the view that the money cannot be used where it is most needed because most of it must go out by formula. Would the Administration support funding for this Program if a larger share of the total were provided on a discretionary basis as this would seem to satisfy Secretary Dole's major concern with the Program?

ANSWER: There are several additional problems. The criteria which FRA is required by statute to consider in allocating discretionary funds is also keyed to rail mileage which is threatened with abandonment and reported on the System Diagram Maps submitted to the Interstate Commerce Commission. Since several railroads do not report mileage potentially subject to abandonment, and since mileage subject to potential abandonment does not necessarily correlate to miles of salvageable line, the criteria does not ensure that funding will be allocated where it is most needed. In addition, the criteria does not include important considerations such as the extent of non-Federal financial participation in the project and the extent to which the project enhances incentives for the states to establish their own continuing rail freight assistance programs.

STATE PARTICIPATION - FUNDING

SENATOR CHILES: Mr. Riley, I noticed that you are proposing to eliminate the state grant-in-aid program which was funded last year at a level of $2.4 million. While this program is small, it has been very effective in getting 32 of the states committed to doing additional rail safety inspection work. In the State of Florida, for example, this program helped the State initiate a safety inspection program which very dramatically reduced the number of railroad accidents in the State of Florida.

In a letter to Senator Hatfield dated February 7, 1984, you indicate that the Federal Railroad Administration has surveyed the states that now participate in the program and 16 have definitely indicated that they would probably continue even if program funding were eliminated. Six of the states indicated that they would probably discontinue the program without Federal funding and the remaining 10 states expressed some level of uncertainty as to whether or not the program would be continued. I was pleased to see in your letter the statement that "FRA is not proposing to terminate the program" and that you would continue to provide training to state safety inspectors.

In view of Secretary Dole's priority on safety-related programs, would there be Administration support for continuing some level of funding, particularly for those states that could not continue the program without it?

ANSWER: The costs which would be shifted back to the states are far too small to constitute a singular reason for abolishing the program. For instance, if Federal funds had not been provided in FY 1983 the increased cost for the average state would have been $80,000 and the highest cost for any state would have been $203,000. The additional cost to each state is small and easily manageable if the state is given sufficient time to develop funding resources.

We recognize that, due to the timing of state legislative sessions and their decisions on state appropriations, some states may have problems obtaining revised sources of funding by October 1, 1984. We, therefore, would be willing to use carryover funds to provide a transition mechanism for those states experiencing a problem with the timing of state legislative sessions.

Questions Submitted to the National Railroad Passenger Corporation by Senator Andrews

1984 LEGISLATIVE PROGRAM

SENATOR ANDREWS: The Amtrak Legislative Report submitted to Congress February 15, 1984 (pursuant to Section 308 of Public Law 91-518) states that the recommended level of funding for 1985 assumes continued operation of service--only minor changes in the operation of the 403(b) services. What are the "minor changes" being proposed?

ANSWER: At the time that report was submitted, the Michigan Executive between Ann Arbor and Detroit had just been discontinued and New York Department of Transportation had advised that the Governor's budget did not include funds for the continuation of the Syracuse-Niagara Falls 403(b) train. Since then, New York has agreed to continue to fund the Syracuse-Niagara Falls train.

Several new 403(b) applications were also pending. Amtrak has recently agreed to start new 403(b) service between Mobile and New Orleans to coincide with the World's Fair in cooperation with the States of Louisiana, Mississippi and Alabama. Amtrak has also agreed to participate with Michigan in establishing Grand Rapids-Chicago service this summer. Amtrak is currently waiting for further word from the State of North Carolina which is seriously considering implementation of a new 403(b) route between Richmond, Virginia and Charlotte, North Carolina.

SENATOR ANDREWS: Does Amtrak and FRA support the use of avoidable loss per passenger mile as a test for 403(b) and 403(d) train service? Please elaborate.

ANSWER: Amtrak does support the establishment of a cost criterion for 403(b) and 403(d) trains measured by a train's avoidable loss per passenger mile. Any change in the law, however, should provide an opportunity to improve the train's avoidable loss by allowing the state to increase its financial contribution, if the service failed to meet the cost criterion.

SENATOR ANDREWS: Does Amtrak and FRA support the deletion of Section 404(d) of the Rail Passenger Service Act which sets ridership criteria based on passenger mile per train mile (PM/TM)? Please elaborate.

ANSWER: Amtrak recommended in its 1984 Legislative Program that Section 404(d) of the Rail Passenger Service Act be amended to eliminate the ridership criteria of 150 PM/TM for long-distance trains and 80 PM/TM for short-distance trains. The passenger mile per train mile criterion is a measure of passenger volume and reveals little about the cost effectiveness and efficiency of a route. Amtrak would continue to maintain PM/TM data as an informational tool but not as a test to decide whether to continue or discontinue service.

CAPITAL PROGRAM

SENATOR ANDREWS: It is the Committee's understanding that to reduce the total capital program request which you both agreed on at $121 million, FRA has offsets against that amount. These offsets include funds associated with the Jobs Bill ($20 million) and a reserve for the West Side Connection ($20 million).

Mr. Claytor, could you briefly explain to this Committee the areas of disagreement between you and FRA on the capital program?

ANSWER: Both FRA and Amtrak agree on the need for a $121 million capital program in FY-85. The differences are in how it should be funded.

The Administration proposes to apply the $20 million of FY-83 savings reserved per congressional instruction to finance the West Side Connection. Amtrak's position on this issue is simply that funding the West Side Connection is consistent with our direction from the Congress.

The Administration proposes to reduce Amtrak's FY-85 capital appropriation by $20 million because of Jobs Bill funds provided in FY-83. Their position is that the Jobs Bill money was an advance against future year capital requirements. Jobs Bill funding does not duplicate Amtrak's capital requirements and, thus, should not be used as a rationale to reduce capital funding.

Further, the Administration proposes reprogramming for other purposes of $4 million of Northeast Corridor purchase funds that Amtrak intends to apply towards the purchase of land for the West Side Connection. The current cost estimate for the West Side project does not include acquisition. Since the properties involved are defined as part of the Northeast Corridor, the most appropriate source for funding the acquisition is from such amount as may be necessary of the funds already appropriated for the Northeast Corridor purchase. Section 601 of the Rail Passenger Service Act limits Amtrak's contribution to no more than $30 million of the $56 million project. Since the $30 million Amtrak share is for other essential elements of the project, Amtrak would be unable to seek any additional appropriation under the authority in Section 601 of the Rail Passenger Service Act if we are precluded from using Northeast Corridor purchase funds for the acquisition.

SENATOR ANDREWS: Is there any likelihood that there are other offsets possible against the capital program request? That is, are there pending excess equipment sales that could bring in more than you estimate (current estimate $6 million)?

ANSWER: The $6 million was generated by the sale of E-60 locomotives. We currently hope to realize an additional $750,000 from such sales this year.

WEST SIDE CONNECTION

SENATOR ANDREWS: Why does Amtrak need to reserve the $20 million associated with the West Side Connection? What is the status of the West Side Connection? What is the likelihood that more money will be necessary for the West Side Connection? What is the likelihood that less money will be necessary for the West Side Connection? Please elaborate.

ANSWER: Amtrak has reserved the $20 million from FY-82 and FY-83 operating savings to fund the West Side project. This, along with $10 million previously reserved, will make up the $30 million total that Congress directed be set aside for this project. We have currently committed about $5 million to fund necessary work, but are awaiting a commitment from New York for the balance of the total project funding.

The current construction estimate of $56 million is expressed in FY-83 dollars, and does not include funding for land acquisi-

tion. We think the construction estimate is sound, but cannot account for inflation. Amtrak believes that land acquisition costs, yet to be negotiated, should be funded from funds already appropriated for the purchase of the Northeast Corridor. Since the West Side Connection properties are defined as a part of the Corridor, this is an appropriate use of these funds.

SENATOR ANDREWS: The West Side Connection project originally had "not to exceed $30 million" authorized for it. What is the latest estimate on the total cost of that project? Where do the additional funds come from? Is New York State obliged to match the federal contribution? Is there any problem with New York State coming up with their share of the costs?

ANSWER: The latest estimate for construction of the West Side Connection is $56 million. It should be noted that this estimate is stated in FY-83 dollars. It also does not include the cost of land acquisition. Although New York is not obliged to match the federal contribution of $30 million, we are hopeful that they will fund the balance of the project. New York has not yet committed to their share of the funding, and Amtrak has submitted for the record copies of recent correspondence with the State.

AMTRAK LABOR

SENATOR ANDREWS: Other transportation companies in the rail industry, as well as the airline industry, have recently had to make hard decisions regarding labor costs. What assurances can you give this Committee that you are doing everything you can to not only control these costs but to enact some savings? Are work rules part of the present negotiations? Have you taken a hard look at this area for potential cost cutting? Please elaborate (to the extent possible) on the status of your current negotiations and the areas under discussion.

ANSWER: Over the last four years, Amtrak, like the rest of the transportation industry, has made hard decisions concerning labor costs. Amtrak has negotiated wages that over the last 39 months have been 12 percent less than the rest of the railroad industry. In those same negotiations, Amtrak has achieved over 100 different rule changes. In addition, train and engine crew takeovers in the Northeast Corridor and the direct employment of train and engine crews on Auto Train have produced significant labor cost savings and work rule changes. Amtrak is continually working with the contract railroads to amend their labor agreements in order to achieve labor cost savings and productivity improvements in those areas where they provide labor for our services.

In the present round of negotiations, the operating crafts were free to submit notices to amend their agreements on January 1, 1984, and have done so. The labor organizations representing non-operating employees are free to submit notices to amend their agreements on April 1, 1984, and are expected to do so. In both cases, changes cannot become effective before July 1, 1984.

The thrust of the Section 6 Notices received from the operating brotherhoods is increased wages and benefits. While Amtrak has not yet received Notices from the non-operating crafts, it is likely that they will pursue significant wage increases to regain parity with national trends and attempt to reduce or eliminate

the work rule changes attained in the previous round of negotiations. Amtrak, on the other hand, will continue to seek reasonable wage increases and rule changes which will increase productivity and reduce labor costs.

SENATOR ANDREWS: Passenger service supervisors were placed on The Empire Builder last summer. What has the experience been to date with the passenger service supervisors? Has service to the passenger markedly improved, or has the move been largely cosmetic with the only difference higher costs for the public? Do passenger service supervisors have direct line responsibility, or is this added without real responsibility?

ANSWER: On-board service chiefs were assigned to all long-distance trains and certain short-distance trains last June in order to provide direct supervision of our on-board service crews. The train chief is responsible for all aspects of the service Amtrak provides on board its trains. The program has been very successful and the comments from passengers have been positive. Amtrak can now exert more control over service employees while en route to ensure that standard on-board service policies and procedures are complied with. The train chiefs are also directly responsible for stocking trains with adequate supplies of food and beverages and ensuring that the food is served and prepared correctly.

NORTHEAST CORRIDOR

SENATOR ANDREWS: FRA does not request any additional funds for the Northeast Corridor rail improvement program in FY-1985 because any additional capital investment, and maintenance work on the Corridor will be the responsibility of Amtrak. Procedurally, how does Amtrak take over the Northeast Corridor Improvement Project (NECIP)?

ANSWER: Amtrak is currently discussing with the Federal Railroad Administration the procedures necessary to transfer the Northeast Corridor Improvement Project. This will probably be done either by a grant agreement or an extension of the existing Amtrak/FRA Contract for the Northeast Corridor Improvement Project. Amtrak prefers the grant agreement arrangement.

SENATOR ANDREWS: Is Amtrak also able to (legally) use the remaining $310 million out of the $2.5 billion authorized for this project? If not, way not?

ANSWER: Amtrak may legally use any unexpended, authorized NECIP funds that are appropriated for the purposes set forth in Section 704 of the Railroad Revitalization and Regulatory Reform Act.

SENATOR ANDREWS: Are there plans for, or funding schedules that use this $310 million?

ANSWER: Amtrak has recommended the following list of projects and funding schedule for the remaining $310 million.

REVISED PROPOSED ADDITIONAL IMPROVEMENTS - NECIP PROGRAM

Revised 4/6/84

		1984 ($) TOTAL ESTIMATE (000,000)	1985	1986	1987	1988
*1.	Union & Warren Street Bridges	4.7	2.4	2.3	----	----
*2.	New York Tunnel Electrical & Mechanical	6.7	1.7	2.5	2.5	----
3.	Install reverse signalling between Philadelphia and Morrisville on Number 2 and 3 Tracks	13.3	5.9	3.7	3.7	----
4.	Install 102.8 track miles of concrete ties, CWR and undercutting between Washington and New York	59.6	17.8	14.0	13.9	13.9
5.	Renew 120.1 track miles of existing fit CWR with new CWR on concrete tie track between Washington and New York	33.2	19.6	6.9	6.7	----
6.	New York Service Facility with enclosed car washer and track renewals	21.4	5.7	5.3	5.3	5.1
*7.	M/W Equipment Maintenance Facility	8.0	3.9	2.1	2.0	----
8.	Install CTC from Landlith to Philadelphia	5.2	3.5	0.9	0.8	----
9.	Bridge Rehabilitation, South of New York (including Hi-Line)	53.1	31.4	7.3	7.2	7.2
*10.	Additional catenary renewal and power supply upgrading Washington to New York	6.0	2.0	2.0	2.0	----
*11.	E. T. Rehabilitation	1.7	0.6	0.6	0.5	----
12.	Restore 20 track miles ditch drainage in concrete tie locations between Washington and New York	2.4	1.2	1.2	----	----
*13.	Track rehabilitation. Interlocking work at North Philadelphia, Dock at Newark, New Jersey and other locations, joint elimination and undercutting	8.8	5.8	1.0	1.0	1.0

REVISED PROPOSED ADDITIONAL IMPROVEMENTS - NECIP PROGRAM

Revised 4/6/84

	1984 ($) TOTAL ESTIMATE (000,000)	1985	1986	1987	1988
14. Track improvements consisting of high speed surfacing, improvement of geometry at Interlocking, Rehabilitation N. Y. Penn Station Interlockings, and ballast cleaning with associated equipment repair, brush cutting and material distribution removed from the Program	16.0	4.2	4.0	4.0	3.8
15. Install New York Tunnel evacuation and fire protection facilities	10.1	11.0	3.6	3.5	----
16. Roadbed stabilization at various locations between Washington and New York	2.9	0.7	1.1	1.1	----
17. Rehabilitate interlockings removed from Program between Washington and New York	12.7	3.3	3.2	3.2	3.0
18. Construct M/W bases at Philadelphia, Sunnyside and Cedar Hill	12.0	7.1	2.5	2.4	----
19. Rehabilitation of structural, electrical, and mechanical systems at 30th Street Station	13.3	7.8	2.8	2.7	----
20. 30th Street Station	5.5	0.7	2.5	2.3	----
TOTALS	304.6**	136.3	69.5	64.8	34.0

*AS PER PUBLIC LAW 97-468

POSSIBLE SCOPE REDUCTIONS FOR ATLANTIC CITY PROJECT $30MILLION IN 1982 FUNDS ESCALATED TO 1984 DOLLARS.

**310 MILLION FUNDING REQUIRED TO RESERVE FOR INFLATION

SENATOR ANDREWS: What is the effect of not utilizing the remaining balance in the NECIP authorization? Where would future NECIP improvements be funded?

ANSWER: Unexpended, authorized funds would remain available for appropriation for statutory purposes. Upon transfer to Amtrak of the Department of Transportation's authority and responsibility for NECIP, as contemplated by Section 705 of the Railroad Revitalization and Regulatory Reform Act, funding of future NECIP improvements would presumably be by direct appropriation to Amtrak.

SENATOR ANDREWS: What capital improvements still need to be done on the Northeast Corridor?

ANSWER: There are a number of projects that have not been included in the $2.5 billion NECIP program that must be done to improve the physical plant of the Northeast Corridor at some time in the future. Projects such as electrification between New Haven and Boston, upgrading the electrification system between Washington and New York, extension of the Centralized Traffic Control (CETC) system from Wilmington to Boston, continued bridge rehabilitation and additional interlocking improvements are all necessary to further improve the operating efficiency of the Corridor.

REVENUE PROJECTIONS

SENATOR ANDREWS: Both of you are in agreement on the projected revenue figure of $873 million. How does this compare with your estimates for FY-1984?

ANSWER: The information requested is as follows:

	Revenue ($ Millions)			
	Estimate			
	FY 1984		FY 1985	
	Amount	%	Amount	%
Passenger Related Revenue	568.7	73.7%	650.1	74.4%
Mail Baggage & Express	17.0	2.2%	17.5	2.0%
Real Estate	22.4	2.9%	25.8	3.0%
State 403(b) Subsidy	17.8	2.3%	14.9	1.7%
Freight Operating	20.7	2.7%	21.9	2.5%
Commuter Operating	46.9	6.1%	48.3	5.5%
Miscellaneous	77.7	10.1%	94.8	10.9%
Total	771.2	100.0%	873.3	100.0%

SENATOR ANDREWS: What is the likelihood that this projected revenue could be higher? What is the likelihood of the figure being lower?

ANSWER: There is always the possibility that actual revenues for FY-85 could vary from current estimates. If the economic recovery continues to further improve revenue passenger miles, it is entirely possible that revenues could exceed current forecast. On the other hand, the reverse is possible. At this time, the $873 million revenue forecast is Amtrak's best assessment of the various factors involved.

SENATOR ANDREWS: How does your latest revenue estimate for FY-84 compare with what you estimated for the Committee over a year ago for FY-84?

ANSWER: Our original FY-84 revenue estimate was for $774 million. Today we estimate revenues at $771 million. There have been small compensating changes within revenue categories as we have more clearly perceived actual business conditions, but overall our FY-84 estimate has proven to be one of the best that Amtrak has ever made.

SENATOR ANDREWS: Is the FY-84 operating carryover you are using as an offset against the FY-85 capital program request because of higher than anticipated FY-84 revenues or because of lower than projected FY-84 operating expenses, or a combination of the two?

ANSWER: It is a combination of the two. Our revenues are running above budget and expenses are lower than originally projected.

REVENUE ENHANCEMENT

SENATOR ANDREWS: In the fiscal year 1985 budget request, revenue enhancement is estimated at $25 million. How does this compare with your revenue enhancement activities in FY-84?

ANSWER: FY-85 enhancement revenues are expected to increase by $11 million over enhancement revenues projected for FY-84.

SENATOR ANDREWS: What are the major activities associated with revenue enhancement? How much additional revenue is generated through the real estate ventures?

ANSWER: The major activities associated with Amtrak's revenue enhancement program are the Breda commuter car assembly program, safe harbor leasing, telecommunications resale, fiber optics leases, and the New Haven cogeneration program. In addition, Amtrak expects to generate $26 million in real estate revenues in FY-85.

SENATOR ANDREWS: Amtrak has several initiatives under development including retrofitting rail passenger cars, a venture for fiber optics communications and selling excess electrical and steam energy. What have been the results of these efforts? How much revenue was generated by these activities in FY-1984? What is the estimate for FY-1985?

ANSWER: Amtrak's revenue enhancement initiatives are meeting with some success, and significant growth in the future is expected. Revenues from these activities, net of all expenses, are projected to be $11.6 million in FY-84 and $25.0 million in FY-85.

With respect to the specific programs mentioned, Amtrak is not currently performing any rail passenger car overhaul work. Our shops at Beech Grove, Indiana are, however, performing final assembly work on the Washington, DC Metro cars under contract with the Italian manufacturer, Breda Costruzioni Ferroviarie. Revenues, before expenses, are expected to be $3.7 million in both FY-84 and FY-85. The lease of our right-of-way for fiber optics communications between Washington, DC and New York will provide $1.1 million in revenues in FY-84. In FY-85, revenues from communications and fiber optics projects are projected to be $7.4 million. The cogeneration project in New Haven is currently under construction and will be completed in early FY-85. Gross revenues and net revenues in FY 85 are projected to be $4 million and $1.8 million, respectively.

AUTO TRAIN SERVICE

SENATOR ANDREWS: On October 30, 1983, Amtrak resumed the Auto Train service from Lorton, Virginia to Sanford, Florida. What has been your experience for the past five months in providing the service?

ANSWER: Although initial ridership has not been as great as our original estimates, good planning and organization coupled with firm cost controls have enabled us to operate essentially at break-even for the first 4 months. (March data is not yet available.) Since this period included certain one-time start-up expenses, we are confident that the service will cover its expenses for the year.

SENATOR ANDREWS: At initiation of service, Group Vice President, William Norman was quoted as saying, "We fully expect that Auto Train will be profitable." What are your projections for this service in achieving profitability?

ANSWER: At this time, the service is expected to exceed the congressionally-mandated break-even requirement within its first year of operation. The service is currently exceeding what Amtrak had originally estimated would be Auto Train's net financial contribution to the system. Amtrak will have to continue to experiment with additional marketing and pricing policies to improve the overall performance of the train. Amtrak has postponed increasing the frequency of operation until it is confident that the increased costs associated with such service will be more than covered by additional revenue. Our projections indicate that, over the longer run, the service will contribute substantially to Amtrak's financial performance.

SENATOR ANDREWS: Amtrak owns the 19.8 acre terminal at Sanford but currently leases the Lorton facilities. How much are the lease payments per year for the Lorton facility? Has Amtrak inquired or investigated the possibility of purchasing the Lorton facility? How much would be needed for the Lorton facility? How would this purchase be funded?

ANSWER: Amtrak does not own the land upon which the Auto Train terminal is located in Sanford, Florida. Amtrak does, however, own certain improvements formerly owned by the Auto Train estate in Sanford, Florida, including the Commissary Building, Employee Service Building, Laundry Building, Terminal Building, track and other associated site improvements. The

land upon which these improvements rest is owned by Seaboard System Railroad and was under long-term lease to Auto-Train. This leasehold interest was assigned to Amtrak as part of the purchase of Auto-Train's improvements.

Prior to the Amtrak purchase of the improvements referred to above, Auto-Train sold the equipment maintenance facility to American Railway Services Corporation (ARSC). Amtrak is leasing a portion of this facility from ARSC for a term of five years with two five-year options.

With respect to the Lorton Auto Train terminal, it is true that Amtrak is leasing that facility in its entirety. Amtrak is paying $200,000 per year plus real estate taxes (presently approximately $10,000 per year) for the lease of the major portion of the Lorton facility including land and improvements. Amtrak is also paying $3,500 per year to the Richmond, Fredericksburg and Potomac Railroad for the lease of certain land upon which tracks the Lorton terminal Auto Train operations are located.

Amtrak analyzed the Lorton property portion of the Auto Train project both from a lease and a purchase point of view. While it is frequently in the Corporation's best interest to own the property in which it is making a significant investment, due to the limited capital available for this project, Amtrak opted to lease the property for five years with two five-year options rather than purchase it.

The owner of the Lorton property informed Amtrak that his appraisal of the property placed its value at approximately $2.5 million. Amtrak has no plans to purchase the Lorton property.

SENATOR ANDREWS: In the Committee's hearings last year, Mr. Claytor, you stated that you could produce the start-up capital from your own generated funds, not appropriated funds. How much were the start-up costs? Where did the funds come from?

ANSWER: Start-up outlays have amounted to $7.1 million for purchase and rehabilitation of facilities and equipment. Revenues supporting these expenditures were:

Right-of-way lease to MCI	$3.4 million
Safe Harbor leases	4.0 million
Total	$7.4 million

SENATOR ANDREWS: From our review of the budget request, you are asking for approximately $3.1 million ($.2 million for maintenance, and $2.9 million for on-board service) in operating expenses to operate Auto Train service. Is that an accurate reading of your request? Are there any other funds necessary to provide the Auto Train service for the areas of station services, marketing, general administrative support of capital equipment?

ANSWER: Auto Train operating expenses fall in most major functional programs but are highlighted only where they result in year-to-year program level changes. In most cases, other program cost reductions have offset Auto Train related increases. From an overall budget perspective all Auto Train costs are fully covered by revenue, so there is no impact on the grant requested.

SENATOR ANDREWS: How is Auto Train doing relative to the House report language, included on the Fiscal Year 1984 Appropriations Bill, requiring that support for the Auto Train is contingent upon its making a profit?

ANSWER: Although we have recently revised our original estimate, we still expect Auto Train revenues to exceed costs by approximately $1.3 million for FY-84.

ACCIDENT INVESTIGATION

SENATOR ANDREWS: Recently the Amtrak Empire Builder was involved in an accident in Montana. Has Amtrak launched an investigation into that accident? What is the status of that investigation? Can you tell the Committee what the likely cause of the accident was? Does this investigation suggest further follow-up?

ANSWER: On March 15, 1984, Amtrak's Empire Builder struck a loaded gravel truck, killing the driver who had disregarded the protective warning signs at a grade crossing in Bainville, Montana. Some Amtrak cars were turned completely on their side and the accident resulted in approximately $2.9 million in equipment damage.

Amtrak launched an immediate investigation in conjunction with the National Transportation Safety Board, the Federal Railroad Administration and the Burlington Northern Railroad. Areas of investigation included operation of the train and gravel truck, evacuation procedures, and equipment design. Amtrak's investigation has revealed that the emergency and evacuation procedures enabled a very orderly and quick evacuation of passengers and crew. The equipment design helped reduce the total number of injuries, as well as mitigated their severity. The National Transportation Safety Board is continuing their investigation pending a final report.

In an effort to improve the safe operation of its trains, Amtrak continues to place a major emphasis on the expansion of the "Operation Lifesaver" program to increase public awareness of the dangers of rail-highway grade crossings. It is sponsored by federal, state and local government agencies, civic organizations and the nation's railroads, including Amtrak. Amtrak has been involved in "Operation Lifesaver" for several years and the number of grade crossing accidents have dropped significantly in those states where the program has been implemented. In addition, many Amtrak police officers are active in promoting safety through their work with the School Safety Patrol. Amtrak police officers gave educational programs to more than 274,000 school children in 1983. Amtrak's award-winning film, "Four Kids on a Train," and other motion pictures are used in these programs. Both the "Operation Lifesaver" program and the School Safety Program are working. Accidents and deaths have been substantially reduced during the last few years.

SENATOR ANDREWS: Last August 1983, there were two Amtrak accidents within days of each other. What has been concluded about those accidents? Have you worked with the National Transportation Safety Board (NTSB) during their investigation? Are your findings similar to theirs? Please tell the Committee where your findings differ with NTSB.

ANSWER: ON August 15, 1983, Amtrak Train #88, The Silver Meteor struck a tractor-trailor truck transporting a heavy crane

at a grade crossing in Rowland, North Carolina. One passenger and seven employees were injured and the accident resulted in $174,000 in damage to rail equipment. The driver of the truck was cited for operating a vehicle that exceeded truck width and weight regulations, driving without a clearance permit, and with improper licensing. Amtrak investigators concur with the National Transportation Safety Board's (NTSB) investigative findings in every respect. In fact, the NTSB as well as the Federal Railroad Administration (FRA) have since complimented Amtrak in its application of established emergency and evacuation procedures and noted that existing equipment design contributed to the prevention of further injuries.

The other Amtrak train derailment occurred the previous day, on August 14, 1983, in Roseville, California, and involved Train #11, The Coast Starlight. This accident was caused by a defective switch point which derailed two cars and resulted in $12,000 in rail equipment damage. There were no injuries, and the accident was not investigated by the National Transportation Safety Board.

ATLANTIC CITY-PHILADELPHIA SERVICE

SENATOR ANDREWS: What is the status of the Atlantic City-Philadelphia train service?

ANSWER: Amtrak and representatives from New Jersey Department of Transportation and New Jersey Transit have been meeting regularly to develop a construction and operating agreement which would enable Amtrak to rehabilitate the Philadelphia-Atlantic City main line and operate five daily round trip trains to Philadelphia and one daily round trip to New York City. There has been considerable progress over the past year and the parties are very close to reaching an agreement.

New Jersey has agreed to commit $20 million in cash and in kind contributions to the project in order to meet the 40 percent local match requirement. Of this amount, $10.5 million will be used to construct a terminal in Atlantic City, and $9.5 million will be used for right-of-way improvements.

SENATOR ANDREWS: House report language on the FY-1984 bill, which was accepted and unchanged by this Committee, required that 40 percent of total project costs be derived from non-federal sources and that the service cover at least 80 percent of short-term avoidable loss the first year of operation and 100 percent for each year thereafter. Please update the Committee on the ability to meet those requirements.

ANSWER: The Amtrak Board in March certified that the service's revenues will meet at least 80 percent of its short-term avoidable costs in the first year of operation and that it should achieve at least 100 percent of its short-term avoidable costs in succeeding years. In fact, we currently project that with 5 daily Philadelphia-Atlantic City round trips, and 1 daily New York-Atlantic City express round trip, the service revenues will exceed short-term avoidable costs by $6.7 million. The Secretary of Transportation is required by Public Law 98-78 to certify that 40 percent of the project cost be derived from non-federal sources. Although the Secretary has not yet acted, Amtrak believes that the Department will soon certify that New Jersey has met the level match requirement.

SENATOR ANDREWS: When is train service expected to start?
ANSWER: Limited service can begin 24 months after the start of the project. Full service is possible in 30 months, with the installation of a modern cab signaling system.

SENATOR ANDREWS: What is the latest estimate of necessary funds for this project relative to the original $30 million contained in the Rail Safety and Service Improvement Act of 1982? What are the latest estimates for using this set-aside, by year, obligations and outlays?
ANSWER: Fifty million dollars, of which $30 million are appropriated funds, with $20 million being provided by New Jersey Department of Transportation and Resorts International.

SENATOR ANDREWS: Ten million dollars was reserved out of the FY-83 appropriations for this service. Does either the Northeast Corridor Improvement Program (NECIP) request or Amtrak's capital request for FY-85 include funds for this project? How much has been included for this project? How much of the $10 million has been obligated or spent?
ANSWER: The Administration has not requested funding for NECIP in FY-85 and the FY-85 Amtrak capital request does not include any funds for the project. None of the $10 million in FY-83 NECIP funds reserved for this purpose have been obligated or expended.

SENATOR ANDREWS: Would future capital requirements of this project be funded out of the remaining $310 million of NECIP authorization or from the regular Amtrak capital program request? Please elaborate for the Committee. (We would like both Amtrak's and FRA's response to this question.)
ANSWER: Section 704 of the Railroad Revitalization and Regulatory Reform Act of 1976, as amended, directs Amtrak to expend or reserve for expenditure $30 million of the $2.19 billion in funds that had previously been appropriated for the Northeast Corridor Improvement Program (NECIP) through fiscal year 1984. The federal government's financial commitment to fund the capital requirements for the Atlantic City project under NECIP is capped at $30 million. After Amtrak initiates service on this line, any additional capital requirements would be funded through Amtrak's capital program or through revenues generated by the service, and a mechanism to accomplish this will be incorporated into the agreement with the State of New Jersey.

HIGH SPEED RAIL CORPORATION

SENATOR ANDREWS: American High Speed Rail Corporation was to repay Amtrak $750,000 on a loan advanced to them plus accrued interest. This debt was supposed to be repaid January 1, 1984. Was it? Is this included in Amtrak's FY-84 budget as interest income? How much interest was realized on the loan?
ANSWER: On December 30, 1983, Amtrak received $861,224 from the American High Speed Rail Corporation representing repayment of an outstanding note for $750,000 plus $111,224 interest.
Interest income was accrued monthly on Amtrak's books as follows:

FY 82	$ 18,216
FY 83	71,608
FY 84	21,400
	$111,224

WEST SIDE CONNECTION PROJECT

SENATOR ANDREWS: What is the status of the purchase of the Conrail West Side project track? How much does Amtrak estimate the value of this connector to be? Is FRA and Amtrak in agreement on the status of this acquisition? Does the Conrail West Side connector appear on the FY-1984 budget request? Where? Could each party provide the Committee a brief explanation on their position regarding the purchase -- how it is to be funded, total costs involved (present and future) and the necessity of the purchase?

ANSWER: Amtrak believes the West Side Connection project, which will link the Northeast Corridor with the Empire Corridor at Penn Station in New York City, has great promise to attract additional riders and significantly reduce Amtrak's operating costs in the New York area. During 1983 Amtrak's Board of Directors approved committing $5.3 million to begin construction of the connecting tunnel between Amtrak's Northeast Corridor main line at Penn Station and the Conrail westside freight line. Currently, we are in the middle of the real estate appraisal and title investigation process for establishing a value for the Conrail property. We are also working with New York City to obtain a tunnel franchise to permit linking Penn Station with the Conrail line for access into the station.

Until the real estate title and appraisal processes are finished and we begin formal negotiations with Conrail, we cannot estimate the acquisition cost of the connector. Likewise, tunnel construction, which we would like to start this Spring, cannot begin until the franchise is acquired from New York City.

Amtrak and the Federal Railroad Administration (FRA) have worked closely together on the conceptual planning of this project. However, Amtrak's funding position differs from the Administration's in terms of how the project will be funded. Amtrak has reserved $20 million in operating savings along with $10 million previously reserved to make up the $30 million total that Congress directed be set aside for the project. The FRA proposes that Amtrak absorb the $20 million cost in its FY-85 capital grant which would, in effect, reduce the amount of work Amtrak could perform on other essential projects.

SENATOR ANDREWS: Is the federal government obliged to fully appropriate the $30 million originally authorized for the West Side Connection project? Please provide the Committee background on the original intent of Section 601(e) that authorized these funds and if that premise is still valid today.

ANSWER: Section 302 of the Rail Safety Act of 1982 authorized Amtrak to expend or reserve for expenditure not more than $30 million under Section 601 of the Rail Passenger Service Act for construction of the West Side Connection in New York City. Section 601(e) directs Amtrak to reserve $10 million of the $30 million set-aside for the project from previously appropriated fiscal year 1983 funds. In addition, the House and Senate reports to the Fiscal Year 1984 Transportation Appropriations Act, Public Law 98-78, directs Amtrak to provide the necessary funds for the West Side project from available capital resources. Amtrak has reserved $30 million of previously appropriated funds for the West Side Connection and is awaiting a final commitment from the State of New York that it will fund the remainder of this $56 million project.

AMTRAK FY 1985 BUDGET JUSTIFICATION

SENATOR ANDREWS: In the budget request both Amtrak and FRA have included funds for "provision for wage/price increase inflation". This figure represents approximately 5.5 percent of your total operating expenses. Is this set aside to cover the present labor negotiations? If not, what does this figure represent?

ANSWER: The estimate for wage and price increase stated in this justification covers inflation for all Amtrak cost areas including a reasonable allowance for wage increases in FY-85.

SENATOR ANDREWS: If the provision represents some factor for inflation over and above the FY-84 wage base, does that mean that this figure could be higher or lower depending on the current labor negotiations?

ANSWER: The FY-85 budget does include an allowance for a modest wage increase for union employees. The allowance is based on three separate assumptions; the first assumes the projected cost-of-living increases, the second assumes a modest negotiated general increase, and the third assumes that there will be no restoration of the 12 percent union give-up from the last contract. Preliminary indications are that the labor negotiators will ask for more than we believe we can reasonably afford or is provided for in this budget.

SENATOR ANDREWS: Amtrak provided the Committee on page 13 of the FY-85 budget justification a breakdown of its revenue projection by activity. Please provide the Committee a similar breakdown for fiscal year 1983 and your latest estimate for fiscal year 1984.

ANSWER: The following schedule reflects the revenue comparison requested:

	Revenue ($ Millions)		
	FY-83 Actual	FY-84 Estimate	FY-85 Projection
Passenger Related	$ 494	$ 569	$ 650
Mail Baggage & Express	17	17	18
Real Estate	21	22	26
State Payments	14	18	15
Commuter Operating Payments	27	47	48
Freight Payments	21	21	22
Interest	23	27	24
Revenue Enhancement	23	19	37
Miscellaneous	24	31	33
Total	$ 664	$ 771	$ 873

AMTRAK LABOR PROTECTION BENEFITS

SENATOR ANDREWS: Given the current labor negotiations, please contrast for the Committee labor protection benefits enjoyed by other rail employees (including Conrail) versus those enjoyed by Amtrak employees. Is the $2 million associated with labor protection likely to go up or down in the coming years?

ANSWER: The history of labor protection in the railroad industry goes back as far as the Emergency Railroad

Transportation Act of 1933. Protective conditions are required as a condition of approval by the Interstate Commerce Commission, of railroad transactions such as consolidations, mergers, acquisitions of control, trackage rights, and abandonments. In recent years the conditions that the ICC has imposed on railroads have been patterned after Appendix C-1 on such matters as length of protective period, separation allowances, and requirements for exercise of seniority.

Section 405 of the Rail Passenger Service Act of 1970 (P.L.91-518) required that the railroads and Amtrak "provide fair and equitable arrangements to protect the interests of employees affected by discontinuances of inter-city rail passenger service." In early 1971, Secretary of Labor Hodgson certified labor protection benefits as meeting the requirements of the Act, and it subsequently became known as Appendix C-1.

In 1973, Amtrak and its employee organizations submitted a labor protective agreement for Amtrak employees that afforded basically the same protection as Appendix C-1 for certification by Secretary of Labor Brennan, who certified this agreement which became known as Appendix C-2.

These protective agreements provided that employees "affected by a discontinuance of inter-city rail passenger service" would receive:

- a monthly guarantee of earnings computed by dividing the previous 12 months' total earnings (including overtime, etc.) by 12;
- payment of wages equivalent to this monthly guarantee for a period equal to the employee's length of service, up to six years;
- continuation of seniority, health and welfare benefits, pension plans, etc., during the protective period; and,
- severance pay at the employee's option if he cannot acquire a comparable position in accordance with the following schedule:

Length of Service	Separation Allowance
1 year but less than 2	3 months' pay
2 years but less than 3	6 months' pay
3 years but less than 5	9 months' pay
5 years or more	12 months' pay

NOTE: one months' pay is computed by multiplying the daily rate of the position occupied by the employee at the time of the discontinuance by 30.

Employees whose positions are abolished as a result of a "discontinuance of inter-city rail passenger service" are required to exercise their seniority to other positions. Employees thus able to continue in service become "displaced" employees and are entitled to a "displacement allowance" equal to the difference between their monthly guarantee and their earnings in the new position for a period equal to their length of service, not to exceed six years.

Employees unable to obtain other positions become "dismissed" employees who are entitled to receive a monthly "dismissal allowance" equal to their monthly guarantee for a period equal to their length of service, not to exceed six years. Dismissed

employees have the option of receiving a lump-sum "separation allowance," based upon their length of service instead of the "dismissal allowance."

Unlike appendix C-1 and other protective conditions, Appendix C-2 employees cannot be forced to take positions that are more than 30 miles from their old work location or place of residence. This provision of Appendix C-2 often results in Amtrak paying two people for one job (the protected employee who refused to transfer, and a new employee hired to fill the vacancy). There are currently 18 such employees whose annual protective benefits total $507,000.

We proposed in our 1984 Legislative Program, that if continued employment requires a change in residence, a protected employee may choose (a) to transfer to the position and receive all the benefits of such protective arrangement, or (b) to voluntarily furlough himself at his home location and have his guarantee suspended during the period of voluntary furlough, or (c) to be severed from employment upon payment to him of a separation allowance computed in accordance with the terms of the protective arrangement, including a deduction for any allowances previously paid to the employee.

Conrail employees are protected under Title VII of the Regional Rail Reorganization Act of 1973 (3R Act), as amended, if they were entitled to coverage under the old Title V of the 3R Act of 1973, and "who are, or may be deprived of employment by action taken under" the Northeast Rail Service Act or the 3R Act. The main difference between this and other protective arrangements is that an absolute ceiling of $20,000 is placed on the total amount of benefits any individual can receive.

The $2 million associated with labor protection in Amtrak's budget is likely to decrease as long as our route structure remains stable. If we have future train discontinuances, then labor protection will most likely increase.

INTERMODAL ROUTES

SENATOR ANDREWS: There are plenty of routes where train-plus-bus makes more sense than going all the way on either mode. But we see Greyhound moving out of the Harrisburg station and fewer and fewer through schedules and ticketing in your timetable. Now the Fargo bus station is moving away from the Amtrak station. In Europe, bus-to-train is an accepted way to travel. In America, it's the exception. What are you doing to encourage people to continue from one mode to another?

ANSWER: Amtrak has implemented several more intermodal and interline agreements with bus companies that interconnect with Amtrak transportation services, thus complementing both forms of ground transportation. Where operationally and economically (ridership and revenue) feasible, Amtrak does encourage the development of connecting ground transportation services. Amtrak's timetable reflects the major interline routes; however, many more such connections, including bus schedules and tariffs, are in the Amtrak ARROW reservation system which enables personnel in Amtrak sales offices and station personnel to respond to public inquiries.

FOOD AND BEVERAGE SERVICE

SENATOR ANDREWS: How close is Amtrak to its goal of breaking even on food and beverage service, and is that a realistic goal in view of maintaining passenger amenities?

ANSWER: Amtrak is breaking even on food and beverage service, consistent with the guidelines prescribed by the Committee.

SENATOR ANDREWS: Has Amtrak investigated the possibility of contracting out its food service, similar to the way airlines run their food service? If not, why not? If so, please update the Committee on that study.

ANSWER: Amtrak has investigated the possibility of contracting out its food service and rejected the idea. Amtrak felt that the elimination of such a substantial part of its work force would cause significant labor problems. In addition, by contracting out the food and beverage service to an outside vendor, Amtrak would have to relinquish significant control over this important part of its service. Recent decisions to add supervisory personnel to long-distance trains in an effort to improve direct supervision of all servies provided on the train, especially food. Amtrak's ability to exert greater control over the planning, preparation and service of food and beverages aboard its trains has enabled the Corporation to deliver a consistently better product to the traveling public.

SECTION 403(b) SERVICE

SENATOR ANDREWS: For several years, Amtrak maintained that it was up to the states to subsidize 403(b) trains. Recently, The Illini to Decatur, The Michigan Executive, The Niagara Rainbow and The Mohawk in New York and The Chesapeake in Maryland, as well as The Spirit of California--all have been discontinued. Why have the states lost interest? Is ridership down or are Amtrak costs too high? What have you been doing to encourage (or discourage) the states to pay their share?

ANSWER: Section 403(b) of the Rail Passenger Service Act allows states to expand rail passenger service by funding a portion of the operating loss and associated capital costs of the service. Under existing law, Amtrak must discontinue a 403(b) train if a State withdraws its financial support.

The State of Illinois jointly funded an extension of the 403(b) Chicago-Champaign train (The Illini) to Decatur as a one-year experiment. The ridership which the State had hoped to generate did not materialize and the State discontinued the Champaign-Decatur segment on October 4, 1981, when the State withdrew funding. The Michigan Executive, a commuter train between Ann Arbor and Detroit, was discontinued on January 13, 1984, because ridership had fallen off and the State declined to further fund the service.

The Niagara Rainbow and The Mohawk operate between Niagara Falls and New York City and are partially funded by the State of New York between Niagara Falls and Syracuse. Although the Governor's fiscal year 1985 budget did not originally include funding for this service, the State has recently advised that it would continue to fund these trains.

The State of California withdrew its support for The Spirit of California which operated between Sacramento and Los Angeles

and the train was discontinued September 30, 1983. The State advised that the train did not meet the minimum financial performance standards which were established by State statute.

The Chesapeake was a commuter train, not a 403(b) train, and was funded 100 percent by the States of Pennsylvania and Maryland between Philadelphia and Washington, DC. Both Pennsylvania and Maryland declined to continue funding this service. Since Maryland's principal interest was in providing commuter service between Baltimore and Washington, Amtrak entered into a contract with that State enabling Amtrak to operate Maryland's commuter trains. The new contract allowed Maryland to increase the number of commuter trains between Baltimore and Washington at less cost to the State.

States as a whole have not lost interest in the 403(b) program. While some individual routes may have fallen out, other new routes are being implemented. Each state is free to determine whether it wishes to continue funding a 403(b) route. In most cases where trains have been discontinued, individual states have determined that the market is simply not strong enough to support a particular train and have advised Amtrak that they could no longer justify continued financial support of the service.

The 403(b) program is one of the few options available that enables Amtrak and the states to experiment with new trains and expand the present route system. Amtrak works very closely with states to encourage continued participation, which is evidenced by the fact that two new 403(b) routes, and possibly a third, will be initiated during fiscal year 1984. In order to improve the performance of these trains, Amtrak participates in jointly funded promotions and discusses fare and schedule options with the states, and continuously looks for ways to reduce the cost of providing service under the 403(b) program.

WORLD'S FAIR SERVICE

SENATOR ANDREWS: What are the plans for the St. Louis-New Orleans and Mobile-New Orleans trains when the World's Fair ends in New Orleans later this year? Provide an analysis of monthly ridership estimates, costs to operate and funding sources.

ANSWER: Concerns have been raised regarding the long-term success of the St. Louis-Centralia, Illinois connection and whether the revenues generated by this new route segment will cover its avoidable costs after the World's Fair concludes in New Orleans. Amtrak will closely monitor the performance of the train after the Fair closes in October to determine if its financial performance justifies its continuation after the April 1985 timetable change.

Amtrak has projected the financial performance of the extension of the Kansas City-St. Louis, Missouri "Mule" service to Centralia, Illinois for the first year of operation, but not on a month-by-month basis. In the first year the extension of this state-supported service will generate additional revenue of approximately $3.8 million; reducing the State's funding requirement and the Corporation's federal subsidy.

The Mobile-New Orleans service will be operated as a state-supported train under Section 403(b). The States of Louisiana, Mississippi and Alabama will jointly fund this new route. These States have agreed to provide the non-Amtrak share of the operating loss for the period April 29 through September 30, 1984, in

conjunction with the World's Fair. This train will be operated beyond September 30 only if these States agree to make additional funding available. During the period April 29 through September 30, 1984, total ridership is estimated to be 21,000 and the short-term avoidable operating cost is estimated to be $804,000. The States have jointly agreed to fund 45 percent of the operating loss and 50 percent of associated capital costs. Each intermediate city is also contributing towards station facility costs.

MARKETING

SENATOR ANDREWS: What marketing tools has Amtrak used comparable to the discount fares and frequent flyer plans offered by the airlines?

ANSWER: In regional markets, Amtrak addresses peak and off-peak travel with two round-trip fare discount programs. They differ in that one program limits savings all day on peak travel days around holiday periods while the other program limits discount travel on each Friday and Sunday afternoon (1:00 p.m. - 7:00 p.m.).

On long-distance routes, Amtrak encourages longer trips by a series of stepped discounts. Under the AW40 fare plan, round-trip travel above approximately $75.00 is eligible for savings from 15-30 percent. The longest trips receive the greatest discounts, encouraging higher sales and competing in the key long-distance endpoint markets. Encouraging longer trips provides the best utilization of the available space, and discount seat availability is controlled in our computer.

Most recently Amtrak has been promoting its "All Aboard America Fare". This fare permits a round-trip between any two cities in three regions. Round-trip travel in one region is $175, in any two regions for $225, and any round-trip in the 48 connected states for $299. The plan permits a traveler to choose one route he desires and to stop off at one intermediate city. The plan is designed to be economically attractive, as well as allow the traveler the opportunity to utilize some of the unique features of rail travel.

"Continuity" or frequent traveler programs have not been used to date since these types of programs are generally directed at building marketshare, and Amtrak has fewer opportunities to do this than the air carriers. The Northeast Corridor is one potential target area and we are investigating the potential and practicality in this market.

SENATOR ANDREWS: What has been done to move more of the mail via Amtrak?

ANSWER: In FY-84, Amtrak successfully negotiated and implemented a major Northeast Corridor contract with an annual revenue of $610,000. Although it may be possible to increase our mail revenues, such action will also result in additional expenses. The cost of handling mail is usually more than what the Post Office is willing to pay. We will have to look at each contract and determine whether the handling charges will allow us to cover our costs. Amtrak will not enter into any mail or express operation that loses money.

SENATOR ANDREWS: What has been done to encourage government employees to use the system? Are there any routes outside the

Northeast Corridor, Harrisburg, and Albany with sufficient frequency to attract many business travelers as well as tourists?

ANSWER: As you know, the preponderance of the federal travel market for Amtrak is in the Northeast Corridor between Washington, D.C. and New York. From July 1979 to June 1980, Amtrak offered a 20 percent discount to federal employees traveling on its Metroliner service trains in the Northeast in exchange for the Government Services Administration (GSA) mandating the use of Amtrak for several city pairs in the Northeast. Because of the success of the GSA/Amtrak program, the GSA began soliciting competitive bids from the airlines for selected city pair contracts in October 1980. Amtrak was allowed to continue to bid on these contracts and, as a result, was awarded all contracts the following year except the Washington-New York city pair, which was awarded to New York Air. In May 1982, Amtrak was informed by the GSA that it would no longer be allowed to bid for mandated carrier status as the contract was being amended to include "air carriers only."

Amtrak continues to offer a travel discount incentive for federal employees in the Northeast, and some employees continue to use Amtrak; however, there has been a sharp drop in government travel on Amtrak since 1982. Using one measure of activity, Amtrak has been monitoring government travel as reported by Scheduled Airline Travel Offices (SATO) in the Northeast, which reflects that during fiscal year 1983, there were 30,094 trips via air carriers between Washington and New York versus only 2,533 trips via Amtrak. While these statistics do not include direct sales by the carriers, they do reflect a significant share of the market.

Because Amtrak is very competitive in the Northeast considering cost, trip duration, and frequency measurers, we are continuing to request that Amtrak be allowed to compete for its fair share of this important travel market.

Amtrak offers reduced fares for both federal and state employees on other Amtrak routes, including the Los Angeles-San Diego corridor, Seattle-Portland, and Washington, D.C.-Richmond, Virginia.

In response to the second part of your question, there is some business travel on virtually all Amtrak services. Long-distance trains do serve short-distance markets and some overnight schedules are especially conducive for business use. Because the business travel market is very time-sensitive, the greatest potential rests in the short-distance markets.

STATION IMPROVEMENTS

SENATOR ANDREWS: What is being done to upgrade stations? Amtrak has been in business for 13 years and yet some stations are not up to your standards, what are you doing in this area? How much is being expended for station upgrading in FY-1984 and FY-1985?

ANSWER: Amtrak operates a system of about 500 stations, many of which were in a deteriorated condition when the Corporation took possession of them. The limited amount of fund-

ing made available to Amtrak for capital projects must always be allocated among a number of functional categories on a priority basis. During Amtrak's first decade of operation, the Corporation concentrated on upgrading the equipment fleet and it now has one of the most modern in the world. Amtrak passengers really pay to ride the train, and it was logical to concentrate on that area of the operation.

Amtrak is actively encouraging local communities to participate in the repair and improvement of stations or the construction of new ones. Amtrak and the State of Illinois recently agreed to jointly fund a program to repair several stations in that State this year. In addition, many of the older stations are costly and inefficient to operate, and Amtrak is concentrating on improvements and modifications that will reduce operating costs. At a minimum, all Amtrak stations should be clean and safe, well lit, easily accessible and provide train and schedule information and a public telephone for access to our toll-free reservation and information service. Amtrak has budgeted $18.5 million for station improvement and development in fiscal year 1984 and is requesting $19.2 million for stations in fiscal year 1985, and will continue its efforts to encourage state and local funding for its station program.

COMMUTER TRAINS

SENATOR ANDREWS: Amtrak has been operating commuter trains between Baltimore and Washington for over a year. Yet, this service does not appear in your timetable. Why not?

ANSWER: The commuter trains that operate between Baltimore and Washington, DC, are sponsored by the State of Maryland and are not listed in the timetable because they are not Amtrak trains. The Maryland State Railroad Administration controls all aspects of the service, including the establishment of fares, schedules, frequency, and the provision of equipment, and is a separate operating agency similar to Southeastern Pennsylvania Transit Authority (SEPTA) and New Jersey Transit. The Maryland State Railroad Administration merely contracts with Amtrak to provide certain services which are used to provide this commuter service.

WASHINGTON UNION STATION

SENATOR ANDREWS: Please describe Amtrak's relationship with the Union Station redevelopment. Since Amtrak is supposed to provide $70 million for the redevelopment effort, when and in what amounts will this money be drawn down?

ANSWER: The President of Amtrak is one of the five members of the Union Station Redevelopment Corporation's (USRC) Board of Directors. In addition, Amtrak provides technical and administrative staff assistance to USRC in certain fields as required.

Funds are provided to USRC as required for expenditure. Currently, funds are being expended for certain urgent repairs to preserve and insure safety of the structure.

Firm outlay schedules must await selection of an architect and a developer and preparation of plans by them. Absent these plans, one can only estimate that major outlays will uniformly spread over the period FY-85 through FY-88.

REVENUE ENHANCEMENT GOALS

SENATOR ANDREWS: In A GAO report of October 14, 1983, (page 14) it was stated that Amtrak's goal was that revenues cover all short-term avoidable costs of operating its passenger trains by 1985 and that Amtrak would develop nongovernment revenue sources for its future capital needs through an ambitious income diversification plan. How close are you to reaching your stated goals? What are your projections for the next three years on income diversification initiatives? Has 1984 been more or less on track with what you originally estimated could be generated through non-passenger train business activities?

ANSWER: Making predictions is a very risk business. Amtrak obviously overstated our ability to cover 100 percent of the short-term avoidable costs by 1985. Fiscal year 1984 net revenues from Amtrak's revenue enhancement program are expected to be $11.6 million and projections for the next three years are as follows:

($ in Millions)

FY-85	FY-86	FY-87
$ 25.0	$ 32.5	$ 53.3

Amtrak is making progress towards meeting its goal of funding all capital needs through revenue enhancement proceeds, but it is apparent that this goal will not be reached until some time in the future.

SENATOR ANDREWS: Please provide the Committee breakdown of revenues generated in FY-1983, estimated for FY-1984, and projected for FY-1985, 1986 and 1987 in the diversification area by source.

ANSWER: The information is provided in the following table.

REVENUE ENHANCEMENT

	FY-83 ACTUAL	FY-84 EST.	FY-85	FY-86 PROJECTED	FY-87
Communications	-	.7	4.4	4.1	3.8
Cogeneration	-	—	4.0	4.0	34.0
Safe Harbor Lease Proceeds	17.2	8.0	19.2	22.1	32.0
Car Assembly & Overhauls	1.8	3.7	3.7	1.0	8.0
Fiber Optics	3.4	2.1	3.0	4.0	4.0
Equipment Leasing and Other	.7	4.6	2.3	8.0	9.0
TOTAL REVENUE	23.1	19.1	36.6	43.2	90.8
FULLY ALLOCATED COST	(1.8)	(7.5)	(11.6)	(10.7)	(37.5)
NET REVENUE	21.3	11.6	25.0	32.5	53.3

ROUTE AND SERVICE CRITERIA AND PROCEDURES

SENATOR ANDREWS: Route and Service Criteria proposed changes are not subject to a one-house legislative veto. This was recently struck down by the U.S. Supreme Court. Will this be amended in your new legislation? How?

ANSWER: Currently, Section 404(c)(3)(B) of the Rail Passenger Service Act permits either the House of Representatives or the Senate to veto amendments submitted by Amtrak to the Route and Service Criteria and Procedures, which are guidelines and procedures Amtrak must follow to add or eliminate rail passenger service. In order to comply with the Court's decision, Amtrak recommended in its 1984 Legislative Program that this section be amended to give Congress 120 days of continuous session to consider and act upon as a body any proposed amendments to the Criteria before such amendments could take effect.

Questions Submitted to the National Railroad Passenger Corporation by Senator D'Amato

WEST SIDE CONNECTION PROJECT

SENATOR D'AMATO: It is my understanding that the New York State Transportation Department intends to seek support from the City of New York as well as the State Legislative for their joint allocation of funds to share with Amtrak in the costs of building the West Side Connection project. Based on this understanding, what are Amtrak's plans for continuing to go forward with the building of the project?

ANSWER: Assuming that the State of New York is able to secure funds for the West Side Connection project, and that acceptable agreement with Conrail is reached over the right-of-way and franchise questions are resolved with the City of New York, Amtrak is prepared to move forward on all aspects of the project. The tunnel under Long Island's new West Side Yard is currently under construction. The Tenth Avenue Tunnel connection into Penn Station has been designed and Amtrak is negotiating with the Long Island Rail Road to act as project manager for the construction of this connection. As soon as funding is provided by the State, Amtrak is prepared to proceed with the design and construction of all other elements of the project.

SENATOR D'AMATO: What kind of commitment from the State and/or City is necessary in order for Amtrak to continue the West Side Connection project?

ANSWER: Amtrak must receive a firm commitment that the State of New York and/or New York City will provide $26 million in addition to the $30 million Amtrak is prepared to make available for the construction of the project.

SENATOR D'AMATO: New York State has made large and unique contributions to Amtrak. For example, the State has made a capital investment of nearly $100 million in the route between New York City and Schenectady, and has also reserved $20 million for extension of our high speed rail program west of Schenectady to Buffalo. Given the national importance of station service in

New York City because of the fact that almost one-third of Amtrak's national ridership originates or terminates in New York City, what are Amtrak's intentions with respect to the West Side Connection project should the State and City fail to provide a financial commitment to the project? Or, if the financial commitment made by the State and City is less than Amtrak believes it should be?

ANSWER: The State of New York has been a leading participant under Amtrak's 403(b) program, which enables states to share the operating and capital costs to provide rail passenger service. The investment by the State of New York and Amtrak in the Empire Corridor has dramatically improved rail passenger service in the State. It is in the State's interest to help fund construction of the West Side Connection since the benefits of the project will inure to both local and intercity travelers. Construction of the connection will further enhance intercity rail passenger service in the State and will enable the expansion and improvement of local commuter rail service in New York City. In addition, Section 302 of the Rail Safety Act of 1982 expressly limits Amtrak's participation in the project to $30 million. If the State is unable to provide $26 million toward the $56 million needed to fund construction of the connection, Amtrak will not be able to proceed with the project.

SENATOR D'AMATO: How have the savings resulting from already on-going commuter rail investments in Manhattan affected Amtrak's ability to make progress in the construction of Amtrak tunnel approaches to Penn Station?

ANSWER: On-going commuter rail investments in Manhattan, specifically the construction of Long Island Rail Road's West Side Yard, has greatly aided in the construction of the box tunnel under that Yard. If that work had not been done, construction of the tunnel would have been much more expensive; and if the Yard was built without the tunnel, it would have been nearly impossible to build the connection. Construction of the West Side and the connection from Penn Station to the West Side Yard will make it possible for Amtrak to piggyback on the Tenth Avenue project which will enable savings to the construction of the West Side Connection.

NEW YORK SERVICE

SENATOR D'AMATO: How do the Adirondack passenger trains, subsidized by New York State, compare to other basic system trains in terms of route of service criteria? Why hasn't Amtrak included these Adirondack trains into the national rail system? What steps would have to be taken in order to accomplish the incorporation of the Adirondack passenger trains into the nation's train system.

ANSWER: For fiscal year 1983, the congressional performance criteria for short-distance trains was 80 PM/TM and 13.1 cents avoidable loss per passenger mile. The following table is a comparison of several short-distance trains, including the Adirondack, for fiscal year 1983. The loss figures shown are based on train-generated revenues only.

Route	FY-83 Avoidable Los Per PM	FY-83 PM/TM
Adirondack (Albany-Montreal)	1.7¢	110
New York-Niagara Falls	3.9¢	94
Chicago-Milwaukee	5.0¢	94
Chicago-Detroit-Toledo	5.4¢	99
Los Angeles-San Diego	3.8¢	149

The Adirondack is a 403(b) train and, as such, is operated in addition to Amtrak's basic system. In order to operate this or any other 403(b) train as a basic system train, Amtrak would have to consider the basic system addition as if it were a new train. Since all 403(b) trains operate at a loss which is partially funded by each state, Amtrak would have to assume the entire loss and, thus, increase the dependency on federal funds. Amtrak has adopted a policy not to initiate any new service or assume the operation of any 403(b) service that does not cover its own costs because it will result in an increase in federal support for Amtrak. However, if a 403(b) train is generating enough revenue to cover its costs, Amtrak would be agreeable to assuming operation of such a train into the basic system.

SENATOR D'AMATO: New York officials have informed me of their concern regarding the delays on the Adirondack passenger trains due to lengthy inspections by the United States Customs and Immigration Service. As you know the trains' schedule currently calls for a 25 minute scheduled stop at Rouses Point for the inspections; unfortunately, as you are no doubt also aware, these inspections more often than not exceed the 25 minutes allotted by the schedule. In fact, according to the New York State Department of Transportation in January, the inspections were exceeding 25 minutes over 75 percent of the time.

It is my understanding that Customs and Immigration officials have agreed to on-train inspections, if Amtrak will provide transportation back to the place of origin for the inspectors. Could you please provide the latest information on the delays on the Adirondack passenger trains, and also indicate the status of the negotiations with Customs and Immigration that would result in adhering to the trains' schedule?

ANSWER: The southbound Adirondack experienced delays at the U.S./Canadian border 23 days during the month of January. The amount of delay varied from 5 minutes to 40 minutes above the 25 minutes already included at the border for U.S. Customs and Immigration inspections. Usually, the excess delays are a result of additional time required for completion of Immigration inspections.

On January 27, 1984, representatives of Amtrak again met with representatives of the U.S. Immigration Department in Washington to discuss this problem. Amtrak offered to transport Immigration inspectors to a point approximately 20 miles north of the boarder so that they could begin the inspection process on-board the train before reaching the border. If Amtrak's proposal would be accepted, there would be significant reduction in border delays and the Adirondack on-time performance would improve greatly.

Questions Submitted to the National Railroad Passenger Corporation by Senator Weicker

OVERHEAD HIGHWAY BRIDGES

SENATOR WEICKER: Would you please submit, for the record, a list of all bridges for which neither Amtrak nor the states will accept responsibility? Please indicate the particular states in which the bridges are located and the ranking each bridge maintains in the states' priority list for repair.

ANSWER: There are a number of highway bridges that span Amtrak's right-of-way in the Northeast Corridor for which neither Amtrak nor the states have been willing to accept responsibility. The following two lists identify; first, those bridges which are in need of replacement or repair; and secondly, those bridges that are currently in satisfactory condition.

Revised June 22, 1983

OH BRIDGES - MARYLAND

	Bridge No	Crossing	Built	Length (FT)
	97.45 (SA)	Vincent Street, Baltimore	1873	27
	97.56 (SA)	Fulton Avenue, Baltimore	1873	27
	95.77	Charles Street, Baltimore	1915	221
	97.49	Mount Street, Baltimore	1915	79
	99.81	Frederick Road, Baltimore	1932	96
	120.48	Chestnut Avenue, Bowie	1943	149
	134.83	New York Ave., Wash., DC	1943	20

Estimated Cost - Replacement

Bridge Replacement - Items 3, 4 & 5 = $1,663,000

Estimated Cost - Repairs

Bridge Repairs - Items 1, 2, 6 & 7 = $ 702,000

TOTAL $2,365,000

OH BRIDGES - PENNSYLVANIA

(MAIN LINE)

Bridge No	Crossing	Built	Length (FT)
7.75	Primos Avenue, Folcroft Δ	1891	121
7.58	Folcroft Avenue, Folcroft	1891	63
6.85	Calcon Hook Avenue, Curtis Park Δ	1896	128
14,28	Lloyd Street, Chester	1899	123
9.11	Amosland Road, Norwood Δ	1901	97
7.16	Sharon Avenue, Sharon Hill Δ	1901	96
6.09	4th Street, Darby Δ	1901	103
8.03	Ashland Avenue, Folcroft	1904	124
17.71	Blue Ball Road, Marcus Hook	1904	143
5.31	71st Street, Philadelphia	1915	115
86.11	Ridge Avenue, Philadelphia	1917	113
64.34	Edgely Road, Edgely	1919	168
17.11	Market Street, Marcus Hook	1927	654
63.10	Fallsington Road, Tullytown Δ	1929	390
88.13	Market Street, Philadelphia	1930	250
88.12	Stanon Plaza, Philadelphia	1930	210
88.00	30th Street, Philadelphia	1930	300
86.93	34th Street, Philadelphia Δ	1930	250
88.25	Chestnut Street, Philadelphia	1931	250
10.42	Sellers Avenue, Ridley Park	1951	69
10.52	Swarthmore Avenue	1971	126

Estimated Cost - Replacement

Bridge replacement - Items 1 through 19 = $15,532,000

Estimated Cost - Repairs

Bridge Repairs - Items 20 & 21 = $ 615,000

TOTAL $16,147,000

*Bridges included in PA Senate Bill 861 (Formerly House Bill 2716)

Δ PennDOT consultants are currently preparing plans to replace those bridges using Federal (FHWA), State, and/or Urban funds.

OH BRIDGES - NEW JERSEY

Bridge No	Crossing	Built	Length (FT)
40.70	Ridge Road, Monmouth Junction Δ	1907	122
56.38	Monmouth Street, Trenton	1907	122
56.49	Chestnut Street, Trenton	1912	120
15.60	Park Avenue, Linden	1913	183
45.41	Plainsboro Road, Plainsboro	1916	74
54.83	Whitehead Road, Trenton	1917	268
55.75	Olden Avenue, Trenton	1924	107
39.97	Major Road, Monmouth Junction Δ	1925	216
34.99	State Route #1, New Brunswick	1928	107
57.21	Center Street, Trenton	1930	76
26.66	Bridge Street, Matuchen	1933	136
13.10	Hand Place, Elizabeth	1936	86
21.43	Colonia Boulevard, Colonia	1937	634
47.45	Alexandra Road, Princeton Jct.	1941	146
57.16	Broad Street, Trenton	1942	67
56.47	East State Street, Trenton	1942	109
33.94	Howe Lane, New Brunswick	1948	125
44.47	Schacks Road, Plainsboro	1949	380
41.20	East New Road, Monmouth Junction	1953	351
35.48	Adams Lane, Adams	1955	220
51.79	Youngs Road, Lawrence	1963	185
50.62	Quaker Bridge Road, Lawrence	1967	180

Estimated Cost Replacement

Bridge Replacement - Items 1 through 11 = $6,850,000

Estimated Cost - Repairs

Bridge Repairs - Items 12 through 22 = $7,821,000

TOTAL $14,671,000

Δ N.J. DOT consultants are currently preparing plans to replace these bridges using Federal (FHWA) and/or State funds.

OH BRIDGES - NEW YORK

(MAIN LINE)

Bridge No	Crossing	Built	Length (FT)
0.25	9th Avenue Viaduct, NY	1909	376
0.08	7th Avenue Viaduct, NY	1909	525
2.55	Hunters Point Avenue, NY Δ	1910	561
3.31	Queens Boulevard, NY Δ	1910	1032
3.55	Honeywell Street, NY Δ	1910	1570
3.82	Harold Avenue, NY Δ	1910	745
A3.82	South Half, NY Δ	1910	556
3.11	Thomson Avenue, NY Δ	1910	747

Estimated Cost Replacement

Bridge Replacement Items 1 through 8 - $25,670,400

Δ NYC DOT consultants are currently preparing plans to replace or rehabilitate these bridges using Federal (FHWA) and/or State funds.

OH BRIDGES - CONNECTICUT

(MAIN LINE)

Bridge No	Crossing	Built	Length (FT)
138.63	Stony Hollow Road, Stonington	1865	38
79.29	Hosley Avenue, New Haven	1887	30
74.18	Blachley Aveneu, New Haven	1887	301
100.54	Old Climron Road, Clinton	1890	36
73.53	Wallace Street, New Haven	1906	67
73.60	East Street, New Haven	1906	75
72.94	Grand Avenue, New Haven	1907	93
125.63	Buddington Road, Groton	1914	64
134.54	Lords Point Road, Stonington Δ	1915	123
102.85	Bushnells Road, Westbrook	1916	64
103.62	Schoolhouse Road, Westbrook	1916	128
104.15	Ingram Hill Road, Westbrook	1916	127
82.85	Great Plains Road, Pine Orchard	1917	65
133.06	Ocean Drive, Mystic	1926	142

OH BRIDGES - CONNECTICUT - Cont.

Bridge No	Crossing	Built	Length (FT)
74.38	Jerry Street, New Haven	1926	114
84.29	Pleasant Point Road, Stony Creek	1930	32
86.54	Moosehill Road, Leetes Island	1930	32
88.03	Mulberry Road, Guilford	1930	91
130.31	Mozier Avenue, Noank	1930	103
117.31	Millstone Point Road, Millstone	1935	32
97.49	Liberty Street - Clinton	1935	31
124.97	Bridge Street, Groton	1936	184
88.95	Whitfield Road, Guilford	1940	65
91.82	Hulls Crossing, East River	1940	34
136.04	Viaduct, Stonington	1940	620
108.51	J. Cakehill Road, Lyme	1940	33
93.08	Durham Track, Madison	1941	32
124.69	State Route 84, Groton	1942	142
137.81	Palmers Neck, Stonington	1944	35
99.16	Grove Orchard, Grove Beach	1962	31
78.26	High Street, East Haven	1962	32
101.36	Essex Road, Westbrook	1962	33
81.25	Kirkham Street, Branford	1963	43
80.95	Harbor Street, Branford	1968	34
73.08	Olive Street, New Haven	1969	139

Estimated Cost Replacement

Bridge Replacement - Items 1 through 19 $7,244,600

Estimated Cost - Repairs

Bridge Repairs - Items 20 through 35 $ 4,788,200

TOTAL $12,032,800

Δ CT DOT is preparing plans to replace this bridge.

OH BRIDGES - RHODE ISLAND

(MAIN LINE)

Bridge No	Crossing	Built	Length (FT)
178.46	Pattacomsett Avenue, Hillsgrove	1895	33
189.00	Mineral Spring, Woodlawn	1904	144
180.29	Park Avenue, Cranston	1906	73
141.67	West Street, Westerly	1913	135
189.24	Conant Street, Woodlawn	1913	152
189.81	Broad Street, Pawtucket △	1914	150
189.84	Barton Street, Pawtucket △	1914	115
189.93	Clay Street, Pawtucket △	1914	89
189.99	Jenics Street, Pawtucket △	1915	70
142.46	Oak Street, Westerly	1918	87
187.60	Cemetary Street, Providence	1919	746
186.95	Branch Avenue, Providence	1920	507
154.04	Beaver River Road, Kenyons	1929	35
190.93	Cole Street, Boston SW	1930	31
181.16	Roger Williams Avenue, Cranston	1930	145
163.50	Dry Bridge Road, Slocums	1930	86
166.87	Stony Lane, Wickford	1930	61
148.41	Burduckville Road, Woodriver	1931	42
141.77	High Street, Westerly △	1934	96
183.51	Westminster Street, Providence	1943	63
183.66	Broadway, Providence	1943	78
182.99	Union Avenue, Providence	1943	85
182.60	Cranston Street, Providence	1947	38
153.54	Hoxies, Shannock	1947	81

Estimated Cost - Replacement

Bridge Replacement - Items 1 through 18 = $11,323,000

Estimated Cost - Repairs

Bridge Repairs - Items 19 through 24 = $1,388,850

TOTAL $12,711,850

△ RI DOT consultants are preparing plans to replace these bridges.

OH BRIDGES - CONNECTICUT

(SPRINGFIELD LINE)

Bridge No	Crossing	Built	Length (FT)
37.03 (SA)	Main & Albany, Hartford	1871	52
25.34	Camel Back Road, Berlin	1891	34
18.99	Camp Street, Meriden	1899	67
0.34 (CA)	Fair & Union, New Haven	1907	140
0.39 (CA)	Crown Street, New Haven	1907	185
0.47 (CA)	Chapel Street, New Haven	1907	165
0.56 (CA)	Court Street, New Haven	1907	132
36.83	Walnut Street, Hartford	1908	120
20.65	Hicks Avenue, Meriden	1909	99
27.31	South Street, Berlin	1910	126
43.99	Kennedy's, Haydens	1911	104
7.35	Broadway, New Haven	1937	210
31.68	Willard AVenue, Newington	1938	185
21.12	Yales Bridge, Meriden	1939	74
28.62	Newington Avenue, Berlin	1940	78
17.41	Hall Avenue, Meriden	1947	61
11.79	Colony Street, Wallinford	1967	54

Estimated Cost - Replacement

Bridge Replacement - Items 2, 3, 8, 9, 10 & 11 $2,310,000

Estimated Cost - Repairs

Bridge Repairs - Items 1, 4, 5, 6, 7, 12 through 17 $3,994,350

TOTAL $6,304,350

OH BRIDGES - PENNSYLVANIA

(HARRISBURG LINE)

Bridge No	Crossing	Built	Length (FT)
2.88	41st Street, Philadelphia	1875	226
12.02	Spring Mill Road, Villanova	1875	70
8.18	Church Road, Ardmore	1880	77
17.58	Casset Avenue, Berwyn	1882	116
89.60	Mill Road, Conewago	1888	90
50.90	Bridge Street, Gap ○	1890	134
94.40	Burd Street, Roylton	1890	76
6.38	Bowman Avenue, Marion	1891	114
21.45	Bridge Street, Malvern	1891	89
50.99	Futer Street, Gap □	1891	85
48.53	Bridge Street, Christiana ○	1893	150
53.28	Hoover Road, Kinzer	1893	114
76.18	Holland Street, Salunga	1893	88
55.29	McIlvan Road, Leaman	1896	114
79.71	Jacob Street, Mt. Joy	1896	86
80.12	Market Street, Mt. Joy	1896	85
80.38	Lumber Street, Mt. Joy	1896	99
6.77	Narberth Avenue, Narberth	1897	106
84.96	Foreman's Road, Rheems	1898	80
85.88	Route 340, Elizabeth Town △	1899	97
14.95	Eagle Road, Wayne	1899	169
16.29	Valley Forge Road	1899	99
87.73	Newville Road, Elizabeth	1900	94
6.51	Rockland Avenue, Narbeth	1900	117
83.81	Colebrook Road, Rheems	1901	117
72.66	Colebrook Road, Landisville	1901	97
2.10	34th Street, Phila., PA △	1903	220
44.32	East Bridge Street, Parksburg	1904	150
44.40	West Bridge Street, Parksburg	1904	170
45.50	Lenover Road, Lenover	1905	235
90.86	Brinser Road, Conewago	1906	87

OH BRIDGES - PENNSYLVANIA - Cont.

Bridge No	Crossing	Built	Length (FT)
3.23	Girard Avenue, Philadelphia △	1908	127
10.40	Merion Avenue, Brynmawr	1910	73
50.73	Mine Road, Gap □	1912	131
97.04	Whitehouse lane, Hispire	1918	50
9.81	Pennswood Road, Brynmawr	1924	72
4.77	59th Street, Philadelphia △	1927	309
68.15	Route 72, Lancaster	1929	143
57.99	Public Road, Gordonville	1937	153
68.74	Dillerville Road, Lancaster	1938	105
17.74	Old Lancaster Pike, Berwyn	1958	67
60.24	Private Road, Ronk	1958	66

Estimated Cost - Replacement

Bridge Replacement - Items 1 through 41 = $19,126,400

Estimated Cost - Repairs

Bridge Repairs - Items 42 through 45 = $ 1,232,000

TOTAL $20,358,400

*Bridges included in PA Senate Bill 861 (Formerly House Bill 2716)

○ Replacement project under construction.
□ To be removed upon completion of No. 50.90
△ Plans are being prepared to replace these bridges

NORTHEAST CORRIDOR
OVERHEAD HIGHWAY BRIDGES
PRESENTLY IN SATISFACTORY CONDITION
AND NOT LISTED FOR REPLACEMENT OR REPAIR

BOSTON DIVISION - SHORE LINE

O. H. Bridge No. 73.22 - Olive Street
O. H. Bridge No. 73.47 - Hamilton Street
O. H. Bridge No. 75.18 - Route 91
O. H. Bridge No. 78.69 - Lake Road
O. H. Bridge No. 92.53 - Copse Road
O. H. Bridge No. 93.68 - Horse Pond Road
O. H. Bridge No. 97.87 - East Main Street
O. H. Bridge No. 105.28 - Boston Post Road
O. H. Bridge No. 109.43 - Slates Crossing
O. H. Bridge No. 121.66 - Montauk Avenue
O. H. Bridge No. 184.29 - Atwells Avenue

NORTHEAST CORRIDOR
OVERHEAD HIGHWAY BRIDGES
PRESENTLY IN SATISFACTORY CONDITION
AND NOT LISTED FOR REPLACEMENT OR REPAIR

BOSTON DIVISION - SHORE LINE - Cont.

O. H. Bridge No. 185.78 - Smith Street
O. H. Bridge No. 186.07 - Orms Street
O. H. Bridge No. 186.44 - Charles Street
O. H. Bridge No. 188.91 - Lonsdale Avenue
O. H. Bridge No. 189.61 - Dexter Avenue
O. H. Bridge No. 190.03 - Cross Street
O. H. Bridge No. 190.23 - Notre Dame Avenue
O. H. Bridge No. 227.76 - South Station Parking Area

BOSTON DIVISION - SPRINGFIELD LINE

O. H. Bridge No. 22.87 - Orchard Street
O. H. Bridge No. 30.15 - Cedar Street

NEW YORK DIVISION

O. H. Bridge No. 49.01 - Clarksville Road
O. H. Bridge No. 53.47 - Colemans Road
O. H. Bridge No. 56.77 - South Clinton Avenue

PHILADELPHIA DIVISION - MAIN LINE

O. H. Bridge No. 86.64 - Oxford Street
O. H. Bridge No. 3.21 - 58th Street
O. H. Bridge No. 4.84 - 67th Street

PHILADELPHIA DIVISION - HARRISBURG LINE

O. H. Bridge No. 19.86 - Valley Road
O. H. Bridge No. 79.88 - Barbara Street
O. H. Bridge No. 80.03 - Marietta Street
O. H. Bridge No. 80.21 - Comfort Alley - Superstructure removed
O. H. Bridge No. 80.32 - New Haven Street
O. H. Bridge No. 106.04 - Routes 22 and 230

BALTIMORE DIVISION - MAIN LINE

O. H. Bridge No. 34.20 - Delaware Park Road
O. H. Bridge No. 61.35 - Lewis Road
O. H. Bridge No. 130.25 - Magruder Avenue

SENATOR WEICKER: By what procedures will Amtrak implement its offer to fund ten percent of the reconstruction and replacement of "orphan bridges"?

ANSWER: Amtrak would simply provide the state with its ten percent share of the funding when the state was ready to make permanent repairs or replace the bridge.

SENATOR WEICKER: Has Amtrak had any correspondence with the states which have orphan bridges? If so, what has the state response been to this funding proposal?

ANSWER: Amtrak did not discuss or correspond with the various states prior to the FY-1985 Appropriations hearings regarding its proposal to fund 10 percent of the cost to replace and rehabilitate highway bridges which span the Northeast Corridor. Amtrak's proposal is an attempt to break the ensuing stalemate over this issue and to address the problem through the existing Bridge Rehabilitation and Replacement Program which is administered by the Federal Highway Administration (FHWA).

SENATOR WEICKER: Once a bridge is replaced or repaired, who will be responsible for the bridge in the future--Amtrak or the state? Will Amtrak continue to fund half the local share as needed?

ANSWER: The state will be responsible for these bridges and Amtrak will not be a source for on-going maintenance, replacement or repair.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now stand in recess until the next hearing on Tuesday, April 3, at 10 a.m., when we will hear the Federal Aviation Administration.

[Whereupon, at 11:47 a.m., Tuesday, March 27, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, April 3.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, APRIL 3, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:12 am., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Chiles, and Byrd.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

STATEMENT OF MICHAEL J. FENELLO, ACTING ADMINISTRATOR

ACCOMPANIED BY:

CHARLES E. WEITHONER, ASSOCIATE ADMINISTRATOR FOR ADMINISTRATION
WILLIAM F. SHEA, ASSOCIATE ADMINISTRATOR FOR AIRPORTS
A. P. ALBRECHT, ASSOCIATE ADMINISTRATOR FOR DEVELOPMENT AND LOGISTICS
DONALD R. SEGNER, ASSOCIATE ADMINISTRATOR FOR POLICY AND INTERNATIONAL AVIATION
RAYMOND J. VAN VUREN, ASSOCIATE ADMINISTRATOR FOR AIR TRAFFIC SERVICES
ANTHONY J. BRODERICK, DEPUTY ASSOCIATE ADMINISTRATOR FOR AVIATION STANDARDS
FRANK L. FRISBIE, DEPUTY ASSOCIATE ADMINISTRATOR FOR DEVELOPMENT AND LOGISTICS
WILLIAM A. PLISSNER, DIRECTOR OF BUDGET
HARVEY B. SAFEER, DIRECTOR, AVIATION POLICY AND PLANS
J. E. MURDOCH, CHIEF COUNSEL
FRED E. GILMORE, DIRECTOR, ACQUISITION AND MATERIEL SERVICES
JAMES A. WILDING, DIRECTOR, METROPOLITAN WASHINGTON AIRPORTS
VALERIO R. HUNT, DIRECTOR, ADVANCED AUTOMATION PROGRAM
MARTIN T. POZESKY, DIRECTOR, PROGRAM ENGINEERING AND MAINTENANCE SERVICE
NEAL A. BLAKE, DEPUTY ASSOCIATE ADMINISTRATOR FOR DEVELOPMENT AND LOGISTICS FOR ENGINEERING
DAVID E. HODGE, MANAGER, PROGRAMS BRANCH, AAT-130 SYSTEMS PLANS AND PROGRAMS DIVISION

OPENING REMARKS

Senator ANDREWS. The subcommittee will come to order. The problem we have this morning is that we have three subcommittees going on at the same time, and it gets a little difficult. Senator Byrd has mastered that through his years of leadership of the Senate. Some of us new boys just haven't learned how to do it yet.

Today, we are hearing from the Federal Aviation Administration (FAA). We have Michael Fenello, Acting Administrator, to present the testimony. We would be glad to have you proceed with your testimony. Let me assure you that it will be included in the record as though given in its entirety, so you can summarize it in any way you wish.

Before you proceed, I would like to call on Senator Byrd for any opening statement that he might have.

Senator BYRD. Mr. Chairman, I have no opening statement, I thank you. I do have some questions, but I will not attempt to preempt your time.

Senator ANDREWS. You may proceed, Mr. Fenello.

INTRODUCTION OF ASSOCIATES

Mr. FENELLO. Mr. Chairman, members of the committee, Senator Byrd.

Seated with me at the table, I might introduce them, on my left is Ray Van Vuren, he is our Associate Administrator for Air Traffic Service; next to him, also on my left, Charles Weithoner, Associate Administrator for Administration. You are familiar with Bill Plissner, the Director of Budget, seated on my immediate left.

To my right, Al Albrecht, Associate Administrator for Development and Logistics; to his right, we have with us Tony Broderick, Deputy Associate Administrator for Aviation Standards; and at the end of the table, on my right, we have Harvey B. Safeer, Director of Aviation Policy and Plans.

We welcome the opportunity to appear before this committee, and present the Federal Aviation budget request for fiscal year 1985. I have submitted, as you said, a comprehensive statement for the record, but first I would like to address a few major items of importance.

AIR TRAFFIC RECOVERY PROGRAM

The air traffic control system is right where we programmed it would be when the recovery schedule was laid out. For example:

We have hired nearly all the replacement controllers we need to staff the post-strike ATC system. As expected, many of these new hires still require additional on-the-job training to bring them up to the full performance level.

Air carrier slot/reservation systems have been dropped at all of the original capacity-controlled airports except for Los Angeles. After the Summer Olympics, the restrictions will be lifted.

When the slot/reservation system was recently removed from the high density airports—LaGuardia, Kennedy, and Chicago's O'Hare—

these airports reverted to the prestrike high density traffic airport rule which imposed traffic limitations in order to maintain a safe and efficient airspace system.

The provisions of the rule pertaining to LaGuardia, Kennedy, and O'Hare have just been amended and are now in effect. The amendment, while increasing the hours in which limitations at O'Hare will be applicable, also significantly increases the number of aircraft operations allowed. Similarly, it also slightly increases operations at LaGuardia and Kennedy Airports. I might add that this is consistent with our underlying premise; that we make no moves in that direction without being absolutely sure that we are following a safe course of action.

HUMAN RELATIONS

Human relations is a major and ongoing initiative in the FAA today and will be for some time to come.

Recently, we expanded the human relations concepts to incorporate other closely related activities. The new concept—called human resource management—new to us, seeks better relationships among employees through improved communications, encouraging appropriate employee participation in decision-making, and supervisor and managerial training.

We want both our supervisors and our subordinates to deal with each other in a way which reflects the value which FAA places on its most important asset—the people of the FAA. Job satisfaction among all employees results in the achievement of both program and individual goals, including increased productivity among all concerned. These goals are stated in a publication, titled "One FAA—A Vision of Excellence," and will require many years of sustained effort to achieve.

NATIONAL AIRSPACE SYSTEM PLAN

The past year has resulted in a number of significant accomplishments related to the National Airspace System Plan:

A contract for a systems engineering and integration contractor to assist in implementing the NAS plan was awarded on January 31, 1984. It provides the management and technical support to implement the plan in a timely and cost effective manner.

The advanced automation program continued its progress.

Two Host Computer design competition contracts were awarded in September 1983, with the acquisition contract to be awarded to one of the contractors in the summer of 1985.

The request for proposal in the advanced automation system design competition has been issued and contract award is currently scheduled for the summer of 1984.

A multiyear contract was awarded in September 1983 for new ASR–9 solid-state terminal radars with a weather channel.

Technical proposals for the new Mode-S equipment were received and evaluated and a production contract award will be made next month.

A multiyear production contract for the microwave landing system was awarded in January of this year.

A contract for 51 additional low level wind shear alert systems was awarded.

Based upon current progress and anticipated accomplishments from the fiscal year 1985 request, we will have in place the contractual basis for the accomplishment of about 80 percent of the major programs in the NAS plan. In fact, we met our planned obligation level in fiscal year 1983 for the facilities and equipment appropriation and expect to do as well or better in fiscal year 1984.

NAS PLAN UPDATE

As directed by the Congress, FAA has recently completed its annual update of the NAS plan. Copies will be provided to this committee upon completion of final editorial work. This third edition of the NAS plan updates the previous edition, but its thrust and objectives remain unchanged. We continue to strive for improved safety, capacity, productivity, and economy through higher levels of automation, application of new and more efficient technologies, and consolidation of facilities.

FLIGHT SERVICE STATION MODERNIZATION

Excellent progress has been made in design and development of the initial model I automation. The software coding has been completed and system integration and testing is underway. First deliveries are scheduled for this fall and most model I systems will be delivered and operational by the end of fiscal year 1985.

The leased building program is rapidly moving toward completion. To date, 35—I believe it is now 37 in the last day or two—locations have been selected, 16 are for buildings that will be leased to the FAA for $1 a year. We expect to identify all 61 locations by the close of calendar year 1984.

AIR TRAFFIC CONTROL TOWERS

Since our last appearance, we have focused on reopening tower locations. We have closed no towers. We have no plans to close any towers. We expanded the original three contracted towers to 15, and we are working on completion of the 15. We have budgeted to proceed in the direction of 45 contracted towers by next year. With OST and OMB study help, we are working on a program which would reduce cost to the taxpayers through cost-sharing arrangements.

AIRCRAFT SAFETY

Significant progress in aircraft safety was recorded during the past year. Development activities provided data for regulatory actions on seat fire blocking layers, transport cabin emergency lighting, and cargo compartment lining materials. When implemented these actions will reduce the possibility of fires on aircraft, limit the contribution of cabin materials to fires, and reduce evacuation times in aircraft fire incidents.

TRUST FUND PROGRAMS

In 1982, Congress authorized fiscal year 1982 through fiscal year 1987 levels for FAA's trust funded programs, and at the same time reinstated user taxes to fund these programs. Through fiscal year 1984, 72 percent of the cumulative authorized levels were appropriated. This budget proposes to increase significantly that percentage. Through fiscal year 1985, 86 percent of the cumulative authorized level is proposed to be appropriated, and by the end of fiscal year 1987, when the legislation expires, we propose 98 percent of the cumulative authorized levels will be funded.

BUDGET REQUEST

The FAA fiscal year 1985 budget estimate requests budget authority of $5.7 billion and 47,933 direct, full-time permanent positions. This represents an increase of $1 billion and a decrease of 805 direct, full-time permanent positions from fiscal year 1984 levels.

Operations increases $123 million in budget authority but decreases 801 in positions. Included in our position levels for both fiscal year 1984 and fiscal year 1985 are additional air carrier safety inspectors recently announced by the Secretary.

This budget request includes significantly higher levels to finance the third year of FAA's multiyear program to modernize and improve air traffic control and airway system facilities, and for airport improvement grants.

For grants-in-aid for airports, we propose contract authority and an obligation limitation of $987 million. This will permit full obligation of authority becoming available in fiscal year 1985 for planning and development of the Nation's airports.

Our fiscal year 1985 request for the facilities and equipment program totals $1.6 billion, a $907 million increase above fiscal year 1984. It represents the third year of funding for the National Airspace System plan and reinstates the $250 million cut from our fiscal year 1984 request.

This preplanned increased funding level, from user taxes, contained in this budget provides for updating existing obsolescent, labor-intensive facilities with new, solid-state equipment, and to provide new facilities with modern equipment capable of handling the volumes of air traffic predicted to develop by the year 1990, and on into the 1990's.

We request $269 million to fund FAA's research, engineering, and development activities at the authorized level. A large portion of the request provides for the development of advanced automation systems to assure capability for efficiently accommodating post-1990 air traffic demand.

PREPARED STATEMENT

Mr. Chairman, I ask that the full statement be submitted for the record, and we are now prepared to answer your questions.

[The statement follows:]

STATEMENT OF MICHAEL J. FENELLO

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I WELCOME THIS OPPORTUNITY TO APPEAR BEFORE YOU TO PRESENT THE FEDERAL AVIATION ADMINISTRATION'S BUDGET REQUEST FOR FISCAL YEAR 1985. IN MY OPINION THIS REQUEST REFLECTS THE RESOURCES REQUIRED TO CONTINUE THE MODERNIZATION, IMPROVEMENT, MAINTENANCE, AND OPERATION, INCLUDING REGULATORY AND ADMINISTRATIVE FUNCTIONS, OF AN AIRPORT AND AIRWAY SYSTEM RESPONSIVE TO ALL USERS.

FOR FISCAL YEAR 1985, WE REQUEST $5.7 BILLION IN BUDGET AUTHORITY, AN INCREASE OF $1.0 BILLION OVER FISCAL YEAR 1984. THIS INCREASE WILL BE FINANCED PRIMARILY BY REVENUES FLOWING INTO THE AIRPORT AND AIRWAY TRUST FUND FROM AVIATION USERS. APPROXIMATELY 82 PERCENT OF THIS BUDGET WILL BE FINANCED FROM USER TAXES PAID BY THOSE WHO BENEFIT FROM AVIATION SERVICES.

THE PROPOSED FUNDING INCLUDES SIGNIFICANTLY HIGHER LEVELS TO FINANCE THE THIRD YEAR OF FAA'S MULTI-YEAR PROGRAM TO MODERNIZE AND IMPROVE AIR TRAFFIC CONTROL AND AIRWAY SYSTEM FACILITIES, AND FOR AIRPORT IMPROVEMENT GRANTS.

NOW, MR. CHAIRMAN, I WILL HIGHLIGHT SOME OF THE MORE SIGNIFICANT ACCOMPLISHMENTS ACHIEVED IN THE PAST YEAR LARGELY THROUGH THE SUPPORT AND RESOURCES PROVIDED BY THE CONGRESS.

AIR TRAFFIC RECOVERY PROGRAM

LET ME START BY SUMMARIZING WHERE WE STAND IN RECOVERING FROM THE ILLEGAL AIR TRAFFIC CONTROLLER STRIKE OF 1981. SOME CRITICIZE US FOR MOVING TOO FAST WHILE OTHERS COMPLAIN THAT WE ARE NOT GOING FAST ENOUGH. BUT, THE FACTS ARE THAT THE SYSTEM IS RIGHT WHERE WE PROGRAMMED IT WOULD BE WHEN THE RECOVERY SCHEDULE WAS LAID OUT. FOR EXAMPLE:

- WE HAVE HIRED NEARLY ALL THE REPLACEMENT CONTROLLERS WE NEED TO STAFF THE POST-STRIKE ATC SYSTEM. AS EXPECTED, MANY OF THESE NEW HIRES STILL REQUIRE ADDITIONAL ON-THE-JOB TRAINING TO BRING THEM UP TO THE FULL PERFORMANCE LEVEL.

- AIR CARRIER SLOT/RESERVATION SYSTEMS HAVE BEEN DROPPED AT ALL OF THE ORIGINAL CAPACITY-CONTROLLED AIRPORTS EXCEPT FOR LOS ANGELES. AFTER THE SUMMER OLYMPICS, THE RESTRICTIONS WILL BE LIFTED.

- AS WAS THE CASE WHEN THE STRIKE-RELATED SLOT/RESERVATION SYSTEM WAS DROPPED AT NATIONAL AIRPORT IN AUGUST OF 1982, WHEN THE SLOT/RESERVATION SYSTEM WAS RECENTLY REMOVED FROM THE REMAINING "HIGH-DENSITY" AIRPORTS, I.E., LAGUARDIA, KENNEDY, AND CHICAGO'S O'HARE, THOSE AIRPORTS REVERTED TO THE PRE-STRIKE HIGH DENSITY TRAFFIC AIRPORT RULE WHICH IMPOSED TRAFFIC

LIMITATIONS IN ORDER TO MAINTAIN A SAFE AND EFFICIENT AIRSPACE SYSTEM. THE PROVISIONS OF THE RULE PERTAINING TO LAGUARDIA, KENNEDY, AND O'HARE HAVE JUST BEEN AMENDED AND ARE NOW IN EFFECT. THE AMENDMENT, WHILE INCREASING THE HOURS IN WHICH LIMITATIONS AT O'HARE AIRPORT WILL BE APPLICABLE, ALSO SIGNIFICANTLY INCREASES THE NUMBER OF AIRCRAFT OPERATIONS ALLOWED. SIMILARLY IT ALSO SLIGHTLY INCREASES OPERATIONS AT LAGUARDIA AND KENNEDY AIRPORTS.

THIS AMENDMENT RESULTS FROM REVIEW OF: (1) CAPACITY AT THE AFFECTED AIRPORTS; (2) EXISTING AND PROJECTED TRAFFIC DEMAND; (3) AIRPORT FACILITIES; AND (4) EXPERIENCE LEVELS OF THE AIR TRAFFIC CONTROL PERSONNEL. THIS AMENDMENT IS AN INTERIM ACTION AND WILL BE REVIEWED AGAIN IN THE FALL OF 1984, WITH FURTHER ACTION BECOMING EFFECTIVE JANUARY 1, 1985.

- THE GENERAL AVIATION RESERVATION PLAN, OR GAR, WAS CANCELLED ON DECEMBER 31, 1983, AND STRIKE-RELATED SLOT ALLOCATIONS HAVE BEEN PHASED OUT.

- WE EXPECT MOST SUPERVISORS AND STAFF WILL RETURN TO THEIR NORMAL JOBS THIS SUMMER, ALTHOUGH WE WILL CONTINUE TO USE SOME FORM OF TRAFFIC MANAGEMENT UNTIL COMPLETELY SATISFIED THAT OUR CONTROLLER WORKFORCE CAN HANDLE PEAK TRAFFIC LOADS.

HUMAN RELATIONS

THE FAA HAS LAUNCHED A MAJOR EFFORT TO IMPROVE HUMAN RELATIONS WITHIN THE ENTIRE ORGANIZATION. RECENTLY WE EXPANDED ITS CONCEPTS TO INCORPORATE OTHER CLOSELY RELATED ACTIVITIES. THE NEW CONCEPT - CALLED HUMAN RESOURCE MANAGEMENT - SEEKS BETTER RELATIONSHIPS AMONG EMPLOYEES THROUGH IMPROVED COMMUNICATIONS, ENCOURAGING APPROPRIATE EMPLOYEE PARTICIPATION IN DECISION MAKING, AND SUPERVISOR AND MANAGERIAL TRAINING. HUMAN RESOURCE MANAGEMENT ALSO CALLS FOR EXPANDED PARTICIPATION IN PLANNING, ESPECIALLY AS TO ITS EFFECT ON EMPLOYEES. FAA'S HUMAN RESOURCE MANAGEMENT REQUIRES IMPROVED PERSONNEL RESEARCH IN SELECTION, EVALUATION, AND ADVANCEMENT OF ITS EMPLOYEES.

THIS EFFORT WILL BE LONG-TERM AND ENCOURAGES NONSUPERVISORY EMPLOYEES TO ACCEPT RESPONSIBILITY FOR THE AGENCY'S CLIMATE. WE WANT BOTH OUR SUPERVISORS AND SUBORDINATES TO DEAL WITH EACH OTHER IN A WAY WHICH REFLECTS THE VALUE WHICH FAA PLACES ON ITS MOST IMPORTANT ASSET--THE PEOPLE OF FAA. THESE GOALS ARE STATED IN A PUBLICATION TITLED "ONE FAA--A VISION OF EXCELLENCE" AND WILL REQUIRE MANY YEARS OF SUSTAINED EFFORT TO ACHIEVE. WE ARE MAKING PROGRESS AND WE EXPECT TO CONTINUE THAT PROGRESS IN 1985.

THE NATIONAL AIRSPACE SYSTEM PLAN
BUILDING FOR THE FUTURE

THE PAST YEAR HAS RESULTED IN A NUMBER OF SIGNIFICANT ACCOMPLISHMENTS RELATED TO THE NATIONAL AIRSPACE SYSTEM (NAS) PLAN:

- A CONTRACT FOR A SYSTEMS ENGINEERING AND INTEGRATION CONTRACTOR TO ASSIST IN IMPLEMENTING THE NAS PLAN WAS AWARDED ON JANUARY 31, 1984. THE CONTRACT IS ESTIMATED AT $684 MILLION OVER A TEN-YEAR PERIOD. IT PROVIDES THE MANAGEMENT AND TECHNICAL SUPPORT TO IMPLEMENT THE PLAN IN A TIMELY AND COST- EFFECTIVE MANNER. THIS SUPPORT INCLUDES CAPABILITIES IN PLANNING, OVERALL SYSTEM DESIGN, SYSTEM INTEGRATION, TECHNICAL SUPPORT TO PROGRAM MANAGERS, AND THE DEVELOPMENT AND OPERATION OF MANAGEMENT TOOLS.

- THE ADVANCED AUTOMATION PROGRAM CONTINUED ITS PROGRESS.

  - TWO HOST DESIGN COMPETITION CONTRACTS WERE AWARDED IN SEPTEMBER 1983, WITH THE ACQUISITION CONTRACT TO BE AWARDED TO ONE OF THE CONTRACTORS IN THE SUMMER OF 1985.

  - THE REQUEST FOR PROPOSAL IN THE ADVANCED AUTOMATION SYSTEM DESIGN COMPETITION HAS BEEN ISSUED AND CONTRACT AWARD IS CURRENTLY SCHEDULED FOR THE SUMMER OF 1984.

- A MULTI-YEAR CONTRACT WAS AWARDED IN SEPTEMBER OF 1983 FOR NEW ASR-9 SOLID-STATE TERMINAL RADARS WITH A WEATHER CHANNEL. THESE "STATE-OF-THE ART" RADARS WILL REPLACE 96 OLD RADARS, AND ESTABLISH 5 NEW ONES.

- AUTOMATION OF THE FLIGHT SERVICE STATION PROGRESSED WITH DESIGN OF MODEL 1 BEING COMPLETED IN 1983, SOFTWARE CODING COMPLETED, AND SYSTEM INTEGRATION AND TESTING PROGRESSING.

- PLANNING FOR CONSOLIDATION OF AIR TRAFFIC CONTROL, NAVIGATION, AND COMMUNICATIONS FACILITIES CONTINUED--A PROGRAM THAT WILL RESULT IN MORE EFFICIENT OPERATIONS AND SIGNIFICANT COST SAVINGS. THIS COMMITTEE REVIEWED OUR OCTOBER 1, 1983, PROPOSAL FOR FACILITY CONSOLIDATIONS AND WE ARE PREPARED TO BRING YOU UP TO DATE ON OUR PROGRESS SINCE THEN.

- TECHNICAL PROPOSALS FOR THE NEW MODE-S EQUIPMENT WERE RECEIVED AND EVALUATED AND A PRODUCTION CONTRACT AWARD WILL BE MADE NEXT MONTH. MODE-S WILL PROVIDE MORE ACCURATE POSITIONAL INFORMATION THAN THE CURRENT RADAR BEACON SYSTEM IT WILL REPLACE, AND WILL ALSO ELIMINATE INTERFERENCE.

- A MULTI-YEAR PRODUCTION CONTRACT FOR THE MICROWAVE LANDING SYSTEM (MLS) WAS AWARDED IN JANUARY OF THIS

YEAR. THE MLS WILL PROVIDE MORE POSITIVE LANDING GUIDANCE THAN THE INSTRUMENT LANDING SYSTEM IT WILL REPLACE.

- INSTALLATION OF THE NATIONAL AIRSPACE DATA INTERCHANGE NETWORK, WHICH PROVIDES AN UPGRADED NATIONWIDE COMMUNICATIONS AND DATA EXCHANGE CAPABILITY, CONTINUED WITH INSTALLATION OF THE ATLANTA SWITCH AND 25 CONCENTRATORS IN 1983.

- A CONTRACT FOR 51 ADDITIONAL LOW LEVEL WIND SHEAR ALERT SYSTEMS WAS AWARDED. THIS EQUIPMENT WILL DETECT HAZARDOUS WIND SHEAR CONDITIONS ON OR NEAR AIRPORTS.

- IMPLEMENTATION OF INTEGRATED COMMUNICATIONS SWITCHING SYSTEMS BEGAN IN MID-1983. IT PROVIDES FLEXIBLE VOICE COMMUNICATIONS CONTROL AND SWITCHING SYSTEMS FOR TELEPHONE/RADIO SERVICES IN AIR TRAFFIC CONTROL TOWERS AND FLIGHT SERVICE FACILITIES.

BASED UPON CURRENT PROGRESS AND ANTICIPATED ACCOMPLISHMENTS FROM THE FY 1985 REQUEST, WE WILL HAVE IN PLACE THE CONTRACTUAL BASIS FOR THE ACCOMPLISHMENT OF ABOUT 80 PERCENT OF THE MAJOR PROGRAMS IN THE NAS PLAN.

AS DIRECTED BY THE CONGRESS, FAA HAS RECENTLY COMPLETED ITS ANNUAL UPDATE OF THE NAS PLAN. COPIES WILL BE PROVIDED TO THIS COMMITTEE UPON COMPLETION OF FINAL EDITORIAL WORK. THIS THIRD EDITION OF THE NAS PLAN UPDATES THE PREVIOUS EDITION, BUT ITS THRUST AND OBJECTIVES REMAIN UNCHANGED. WE CONTINUE TO STRIVE FOR IMPROVED SAFETY, CAPACITY, PRODUCTIVITY AND ECONOMY THROUGH HIGHER LEVELS OF AUTOMATION, APPLICATION OF NEW AND MORE EFFICIENT TECHNOLOGIES, AND CONSOLIDATION OF FACILITIES.

NATIONAL AIRSPACE REVIEW

THE NATIONAL AIRSPACE REVIEW (NAR) WAS ESTABLISHED TO ASSURE THAT THE NATIONAL AIRSPACE SYSTEM IS OPERATING AT MAXIMUM SAFETY AND EFFICIENCY. THIS REVIEW INVESTIGATES HOW TODAY'S AIR TRAFFIC CONTROL SYSTEM CAN BE UPGRADED THROUGH PROCEDURAL, STRUCTURAL, OR REGULATORY CHANGE, AS WELL AS INCORPORATING EXISTING OR NEAR-TERM TECHNOLOGICAL IMPROVEMENTS. THE NAR IS AN FAA/AVIATION INDUSTRY COMMITTEE COMPOSED OF 52 WORKING GROUPS FROM 23 ORGANIZATIONS. UNLIKE THE NAS PLAN WHICH WAS PRIMARILY FORMULATED WITHIN THE FAA, THE NAR IS CARRIED OUT BY AIRSPACE USERS UNDER FAA AUSPICES. NAR TASK GROUPS ARE LOOKING INTO MEANS TO (1) UPDATE AND STREAMLINE THE AIRSPACE STRUCTURE AND OPERATIONAL PROCEDURES, (2) SIMPLIFYING REGULATIONS, AND (3) IMPROVE WEATHER AND FLIGHT INFORMATION SERVICES. A NAR IMPLEMENTATION PLAN HAS BEEN DEVELOPED TO COMBINE TASK GROUP RECOMMENDATIONS INTO FIVE MAJOR SYSTEM AREAS: (1) TERMINAL SYSTEM, (2) EN ROUTE SYSTEM, (3) REGULATIONS/STANDARDS, (4) AIRSPACE STRUCTURE, AND (5) FLIGHT SERVICE SYSTEM. THE NAR'S COMPREHENSIVE OPERATIONAL RECOMMENDATIONS WILL BE FULLY INTEGRATED IN THE NAS PLAN.

FLIGHT SERVICE STATION MODERNIZATION

EXCELLENT PROGRESS HAS BEEN MADE IN DESIGN AND DEVELOPMENT OF THE INITIAL MODEL 1 AUTOMATION. THE SOFTWARE CODING HAS BEEN COMPLETED AND SYSTEM INTEGRATION AND TESTING IS UNDERWAY. FIRST DELIVERIES ARE SCHEDULED FOR THIS FALL AND MOST MODEL 1 SYSTEMS WILL BE DELIVERED AND OPERATIONAL BY END FY 1985. THE LEASED BUILDING PROGRAM IS RAPIDLY MOVING TOWARD COMPLETION. TO DATE, 35 LOCATIONS HAVE BEEN SELECTED, 16 ARE FOR BUILDINGS THAT WILL BE LEASED TO THE FAA FOR $1.00 A YEAR. WE EXPECT TO IDENTIFY ALL 61 LOCATIONS BY THE CLOSE OF CALENDAR YEAR 1984.

THE MODERNIZATION PROGRAM ALSO PROVIDES FOR CENTRALIZING FLIGHT SERVICES AND PERSONNEL AT THESE 61 FACILITIES. FAA HAS SUCCESSFULLY DEMONSTRATED ITS ABILITY TO CONSOLIDATE FLIGHT SERVICE STATIONS AND TO PROVIDE EQUAL OR BETTER SERVICE, AT LEESBURG, VIRGINIA, IN 1976 AND RECENTLY AT BRIDGEPORT, CONNECTICUT. AT YOUR REQUEST THE FAA IS PERFORMING A BEFORE- AND-AFTER ANALYSIS OF THE NEW BRIDGEPORT FACILITY. RESULTS TO DATE INDICATE THAT BRIDGEPORT SERVICES ARE AT LEAST EQUAL TO THOSE PROVIDED AT BOSTON, MASSACHUSETTS, AND WINDSOR LOCKS, CONNECTICUT, PRIOR TO CONSOLIDATION. PRESENT PLANS FOR FSS CONSOLIDATIONS ARE CONSISTENT WITH THE PLANNED OFFICE AND FACILITY CONSOLIDATION REPORT SUBMITTED TO CONGRESS IN OCTOBER 1983.

THE IMPACT OF CONSOLIDATIONS ON EMPLOYEES IS OF PRIMARY INTEREST TO THE FAA. WE ARE DOING EVERYTHING WE CAN TO EASE THE EFFECT OF THESE CHANGES ON EMPLOYEES AND THEIR FAMILIES, INCLUDING PROVIDING NATIONAL TRANSITION GUIDELINES TO ENSURE ALL EMPLOYEES ARE TREATED FAIRLY AND WITH CONSIDERATION.

SAFETY RECORD

THE NATION'S AIRLINES HAD ANOTHER GOOD SAFETY YEAR IN 1983 WITH THE NUMBER OF ACCIDENT- RELATED FATALITIES DOWN SHARPLY FROM THE PREVIOUS YEAR.

1983 WAS THE THIRD YEAR IN THE PAST FOUR IN WHICH THE SCHEDULED U.S. AIRLINES OPERATED WITHOUT LOSS OF A LARGE PASSENGER-CARRYING JET. THE 4FATAL ACCIDENTS AND 15 FATALITIES LAST YEAR WERE A SUBSTANTIAL IMPROVEMENT OVER THE 5 FATAL ACCIDENTS AND 235 FATALITIES IN 1982.

COMMUTER AIRLINES AND AIR TAXIS ALSO POSTED IMPROVED SAFETY RECORDS IN 1983. IN THE COMMUTER CATEGORY, FATAL ACCIDENTS DROPPED FROM 5 TO 2 AND FATALITIES FROM 14 TO 11, WHEN COMPARED WITH 1982. FOR AIR TAXIS, FATAL ACCIDENTS DIPPED FROM 30 TO 28 AND FATALITIES FROM 70 TO 60.

GENERAL AVIATION STATISTICS ALSO SHOWED AN IMPROVEMENT. FATAL ACCIDENTS WERE DOWN FROM 578 IN 1982 TO 548 IN 1983, THE NUMBER OF FATALITIES DROPPED FROM 1,161 to 1,049.

AIRCRAFT SAFETY

SIGNIFICANT PROGRESS IN AIRCRAFT SAFETY WAS RECORDED DURING THE PAST YEAR. DEVELOPMENT ACTIVITIES PROVIDED DATA FOR REGULATORY ACTIONS ON SEAT FIRE BLOCKING LAYERS, TRANSPORT CABIN EMERGENCY LIGHTING, AND CARGO COMPARTMENT LINING MATERIALS. THESE ACTIONS WILL REDUCE THE POSSIBILITY OF FIRES ON AIRCRAFT, LIMIT THE CONTRIBUTION OF CABIN MATERIALS TO FIRES, AND REDUCE EVACUATION TIMES IN AIRCRAFT FIRE INCIDENTS.

AIRCRAFT NOISE COMPLIANCE

THE CONTINUED RISE IN DEMAND FOR AVIATION SERVICES AND TRANSPORTATION EMPHASIZES OUR COMMITMENT TO ENFORCE AIRCRAFT NOISE COMPLIANCE REGULATIONS AND DEADLINES NOW ON THE BOOKS. IN RESPONSE TO CONGRESSIONAL MANDATES, WE ARE ACTING AGGRESSIVELY TO CONTROL AIRCRAFT NOISE AS DEMAND FOR AVIATION SERVICES INCREASES. AN IMPORTANT ELEMENT OF OUR OVERALL PROGRAM IS THE FAR PART 91 REGULATION WHICH REQUIRES COMPLIANCE WITH FEDERAL NOISE STANDARDS IN ORDER TO OPERATE INTO U.S. AIRPORTS ON AND AFTER THE FIRST OF JANUARY 1985.

SEVERAL EFFORTS TO HEAD OFF THIS DEADLINE, OR TO STRETCH IT OUT FOR ANOTHER THREE YEARS HAVE BEEN REPORTED. HOWEVER, AIRCRAFT OPERATORS HAVE BEEN ON NOTICE FOR OVER SEVEN YEARS, AND WE INTEND TO ENFORCE OUR REGULATIONS FULLY.

AVIATION FORECASTS

AVIATION ACTIVITY IS INSEPARABLE FROM FAA'S WORKLOAD AND RESOURCE REQUIREMENTS. THEREFORE, MR. CHAIRMAN, LET ME BRIEFLY OUTLINE THE FACTORS COMPRISING OUR AVIATION FORECAST OF ACTIVITY.

IN FY 1985 WE PROJECT THE FOLLOWING INCREASES:

- IFR AIRCRAFT HANDLED BY THE EN ROUTE SYSTEM WILL INCREASE FROM 31.2 MILLION TO 32.1 MILLION, AN INCREASE OF 2.9 PERCENT.

- INSTRUMENT OPERATIONS AT FAA TOWERS WILL INCREASE FROM 36.6 MILLION TO 39.4 MILLION, A 7.7 PERCENT RISE.

- AIRCRAFT OPERATIONS, THAT IS, LANDINGS AND TAKEOFFS CONTROLLED BY FAA TOWERS, WILL INCREASE 7.7 PERCENT FROM 57.2 MILLION TO 61.6 MILLION.

- FLIGHT SERVICES PROVIDED BY FLIGHT SERVICE STATIONS WILL INCREASE FROM 60.7 MILLION TO 64.2 MILLION, AN INCREASE OF 5.8 PERCENT.

OTHER INDICATORS OF AVIATION GROWTH, THOUGH NOT DIRECTLY TIED TO FAA WORKLOAD, ARE:

* REVENUE PASSENGER MILES FOR AIR CARRIER AND COMMUTERS WILL INCREASE 6.0 PERCENT FROM 243.9 BILLION TO 258.5 BILLION.

* HOURS FLOWN BY GENERAL AVIATION WILL INCREASE FROM 37.6 MILLION TO 39.1 MILLION, AN INCREASE OF 4.0 PERCENT.

TRUST FUNDED PROGRAMS

IN 1982, CONGRESS AUTHORIZED FY 1982 THROUGH FY 1987 LEVELS FOR FAA'S TRUST FUNDED PROGRAMS, AND AT THE SAME TIME REINSTATED USER TAXES TO FUND THESE PROGRAMS.

THROUGH FY 1984, 72 PERCENT OF THE CUMULATIVE AUTHORIZED LEVELS WERE APPROPRIATED. THIS BUDGET PROPOSES TO SIGNIFICANTLY INCREASE THAT PERCENTAGE. THROUGH FY 1985, 86 PERCENT OF THE CUMULATIVE AUTHORIZED LEVEL IS PROPOSED TO BE APPROPRIATED, AND BY THE END OF FY 1987, WHEN THE LEGISLATION EXPIRES, WE PROPOSE 98 PERCENT OF THE CUMULATIVE AUTHORIZED LEVELS WILL BE FUNDED. THIS, IN TURN, WILL REDUCE THE UNCOMMITTED TRUST FUND BALANCE OF $3.0 BILLION AT THE BEGINNING OF FY 1982 TO $568 MILLION AT THE END OF FY 1987.

FY 1985 REQUEST FOR APPROPRIATIONS

THE FAA FY 1985 BUDGET ESTIMATE REQUESTS BUDGET AUTHORITY OF $5,685 MILLION, AND 47,933 DIRECT, FULL-TIME PERMANENT POSITIONS. THIS REPRESENTS AN INCREASE OF $1,022 MILLION AND A DECREASE OF 805 DIRECT, FULL-TIME PERMANENT POSITIONS FROM FY 1984 LEVELS. AGAINST THIS BACKGROUND, LET ME COMMENT BRIEFLY ON EACH FY 1985 BUDGET REQUEST.

THE OPERATIONS APPROPRIATION

THE OPERATIONS APPROPRIATION REQUEST TOTALS $2,722 MILLION, OF WHICH $1,763 MILLION WOULD BE TRANSFERRED FROM THE AIRPORT AND AIRWAY TRUST FUND. THIS ESTIMATE SUPPORTS 45,391 DIRECT, FULL-TIME PERMANENT POSITIONS AND REFLECTS AN INCREASE OF $123 MILLION IN BUDGET AUTHORITY AND A DECREASE OF 801 POSITIONS FROM FY 1984. THE FUNDING INCREASE IS A NET ADJUSTMENT AFTER APPLYING PERSONNEL AND OTHER SAVINGS, AND IS REQUIRED FOR "MUST FUND" ITEMS SUCH AS WITHIN-GRADE SALARY INCREASES, GRADE-TO-GRADE PROMOTIONS, PRICE INCREASES, AND THE FULL COST OF THE JANUARY 1984 PAY RAISE. INCLUDED IN OUR POSITION LEVELS FOR BOTH FY 1984 AND FY 1985 ARE ADDITIONAL AIR CARRIER SAFETY INSPECTORS RECENTLY ANNOUNCED BY THE SECRETARY. THE 801 POSITION REDUCTION IS PRIMARILY ASSOCIATED WITH THE AIR TRAFFIC CENTER AND TOWER OPTIONS DUE TO REVISED STAFFING STANDARDS AND VFR TOWER DEFEDERALIZATION.

OPERATION AND MAINTENANCE METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

THE OPERATION AND MAINTENANCE OF WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS FOR FY 1985 WILL REQUIRE $35.9 MILLION. THIS REFLECTS AN INCREASE IN FUNDING OF $1.4 MILLION.

WASHINGTON NATIONAL IS EXPECTED TO PRODUCE AN OPERATING PROFIT OF $16.9 MILLION AND DULLES INTERNATIONAL A SLIGHT PROFIT OF $131 THOUSAND. AFTER DEDUCTION OF $7.8 MILLION IN DEPRECIATION AND INTEREST FOR THE TWO AIRPORTS, A NET PROFIT OF $9.2 MILLION IS ESTIMATED TO BE REALIZED. THE RATE STRUCTURE AND CONCESSION ARRANGEMENTS AT THESE AIRPORTS ARE ESTABLISHED TO ASSURE RECOVERY OF OPERATING COSTS, INTEREST EXPENSES, AND AN APPROPRIATE RETURN OF THE GOVERNMENT'S INVESTMENT. FEES COLLECTED FROM AIRPORT USERS ARE DEPOSITED AS MISCELLANEOUS RECEIPTS TO THE GENERAL FUND OF THE TREASURY.

CONSTRUCTION, METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

THE BUDGET ESTIMATE FOR CONSTRUCTION AT WASHINGTON NATIONAL AND DULLES INTERNATIONAL AIRPORTS FOR FY 1985 TOTALS $13.5 MILLION. THESE FUNDS ARE REQUIRED TO FINANCE IMPROVEMENTS OF FACILITIES TO INSURE THAT THESE AIRPORTS MEET THE TRAVEL NEEDS OF THE PUBLIC SAFELY AND EFFICIENTLY. AT WASHINGTON NATIONAL, FUNDS ARE REQUESTED TO REHABILITATE AIRFIELD FACILITIES, AIRPORT BUILDINGS, ROADS, UTILITY SYSTEMS, AND TO COMPLETE MASTER PLANNING. AT DULLES, AIRPORT BUILDINGS, ROADS, AND NEEDED FACILITY ALTERATIONS AND IMPROVEMENTS WILL BE FINANCED.

AIRPORT AND AIRWAY TRUST FUND

WE ESTIMATE THE TRUST FUND WILL HAVE AN UNAPPROPRIATED BALANCE OF $4.6 BILLION AT THE BEGINNING OF FY 1985, AND THAT TAX REVENUE DURING THE YEAR WILL BE $2.8 BILLION. ADDING INTEREST ON INVESTMENT, TOTAL REVENUES ARE EXPECTED TO EQUAL $3.5 BILLION. REQUESTED APPROPRIATIONS OF $4.5 BILLION WILL LEAVE AN ESTIMATED UNAPPROPRIATED BALANCE OF $3.6 BILLION AT THE END OF FY 1985. OF THIS AMOUNT, $2.3 BILLION IS COMMITTED BY LAW FOR FUTURE OBLIGATIONS OR LIQUIDATION, THUS $1.4 BILLION WILL BE LEFT FOR USE IN SUBSEQUENT YEARS. THIS REPRESENTS A CONTINUED DRAWDOWN OF THE UNCOMMITTED TRUST FUND BALANCE FROM THE ESTIMATED $2.3 BILLION AT THE END OF FY 1984.

GRANTS-IN-AID FOR AIRPORTS (AIRPORT AND AIRWAY TRUST FUND)

THIS BUDGET PROPOSES CONTRACT AUTHORITY AND AN OBLIGATION LIMITATION OF $987.0 MILLION. THIS WILL PERMIT FULL OBLIGATION OF AUTHORITY BECOMING AVAILABLE

IN FY 1985 FOR PLANNING AND DEVELOPMENT OF THE NATION'S AIRPORTS. A LIQUIDATING CASH APPROPRIATION OF $810.0 MILLION IS REQUESTED TO ENSURE SUFFICIENT TRUST FUND CASH IS AVAILABLE TO PAY OBLIGATIONS FROM PRIOR YEARS, AND FOR THOSE EXPECTED TO BE INCURRED DURING FY 1985.

FACILITIES AND EQUIPMENT
(AIRPORT AND AIRWAY TRUST FUND)

FAA'S FY 1985 REQUEST FOR THE F&E PROGRAM TOTALS $1,657 MILLION, A $907 MILLION INCREASE ABOVE FY 1984. IT REPRESENTS THE THIRD YEAR OF FUNDING FOR THE NATIONAL AIRSPACE SYSTEM PLAN AND REINSTATES THE $250 MILLION CUT FROM OUR FY 1984 REQUEST. THE SIGNIFICANTLY INCREASED FUNDING LEVEL CONTAINED IN THIS BUDGET PROVIDES FOR UPDATING EXISTING OBSOLESCENT, LABOR-INTENSIVE FACILITIES WITH NEW, SOLID-STATE EQUIPMENT, AND TO PROVIDE NEW FACILITIES WITH MODERN EQUIPMENT CAPABLE OF HANDLING THE VOLUMES OF AIR TRAFFIC PREDICTED TO DEVELOP BY THE 1990'S. THIS BUDGET REQUEST IS FULLY COMPATIBLE WITH THE LATEST REVISION OF THE NAS PLAN.

MAJOR NEW SYSTEMS OR EQUIPMENT REPLACEMENT PROGRAMS PROPOSED FOR FUNDING INCLUDE: LONG-RANGE RADARS, ADVANCED AUTOMATION, AIR ROUTE TRAFFIC CONTROL CENTER AND FLIGHT SERVICE STATION REMOTE COMMUNICATIONS EQUIPMENT, AIRPORT SURFACE DETECTION EQUIPMENT, A TERMINAL COMPUTER SYSTEM, AIRPORT TRAFFIC CONTROL TOWERS, TERMINAL RADAR APPROACH CONTROL FACILITIES, AN AUTOMATED WEATHER OBSERVATION SYSTEM, AND SYSTEMS ENGINEERING AND INTEGRATION SUPPORT.

RESEARCH, ENGINEERING AND DEVELOPMENT
(AIRPORT AND AIRWAY TRUST FUND)

WE REQUEST $269 MILLION TO FUND FAA'S RESEARCH, ENGINEERING AND DEVELOPMENT ACTIVITIES AT THE AUTHORIZED LEVEL. A LARGE PORTION OF THE REQUEST PROVIDES FOR THE DEVELOPMENT OF ADVANCED AUTOMATION SYSTEMS TO ASSURE CAPABILITY FOR EFFICIENTLY ACCOMMODATING POST-1990 AIR TRAFFIC DEMAND. DEVELOPMENT OF COMMUNICATIONS SYSTEMS TO SUPPORT FUTURE GROWTH IN AVIATION DEMAND AND MODERNIZATION OF AIR TRAFFIC CONTROL SYSTEMS WILL CONTINUE. THE FY 1985 PROGRAM WILL ALSO INCLUDE WORK ON SYSTEMS TO ALERT PILOTS TO LOW LEVEL WIND SHEAR CONDITIONS, SYSTEMS TO REDUCE THE THREAT OF MID-AIR COLLISIONS, AND DEVELOPMENT OF A VOICE SWITCHING AND CONTROL SYSTEM FOR COMMUNICATION REQUIREMENTS TO SUPPORT THE ADVANCED AUTOMATION SYSTEM IN AIR ROUTE TRAFFIC CONTROL CENTERS.

THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN. MY STAFF AND I ARE NOW PREPARED TO ANSWER YOUR QUESTIONS.

IMPACT OF CONTINUING RESOLUTION

Senator ANDREWS. What is the impact on the FAA budget in the event of a fiscal year 1985 continuing resolution that would hold spending to last year's levels?

Mr. FENELLO. My opinion is that it would be devasting to our planning, which is in place and is underway. It would represent, in my opinion, almost a sharp rebuke to the user tax approach, which the users have gone along with, in anticipation of achieving the benefits of a completely modernized system.

Senator ANDREWS. Administrator Helms, last year, thought that aviation taxes could be reduced starting in 1987. What is your current assessment?

Mr. FENELLO. I am sorry, I didn't hear.

Senator ANDREWS. He said that aviation taxes could be reduced starting in 1987. What is your current assessment?

Mr. FENELLO. Our current assessment is just the same.

NAS PLAN

Senator ANDREWS. You mentioned earlier the NAS plan. Last year, the NAS plan was reported to be a $9 billion/8-year undertaking. Earlier this year, the Secretary spoke in terms of 15 years. What is the cost and timetable for the latest version of the NAS plan?

You said that you were studying it and you were going to have a redraft, but have you in your mind right now what the cost and timetable is?

Mr. FENELLO. Do you want to take that, Al?

Mr. ALBRECHT. Mr. Chairman, our current NAS plan forecast, between the 10-year period of 1983 and 1992, is for $11.4 billion. This is consistent with the previous number, I believe we gave to the committee, of $10.8 billion for a 10-year program between 1982 and 1991.

The end of the big funding for the NAS plan will be in 1992. Essentially, the major part of the funding is from fiscal year 1982 through fiscal year 1992, which is $11.7 billion.

Senator ANDREWS. Last year, you came up with a $9 billion/8-year undertaking.

Mr. ALBRECHT. Mr. Chairman, I am sure you are right. I think we have to specify what fiscal years that covered, and I don't have that number with me.

Senator ANDREWS. Could you expand on that for the record?

Mr. ALBRECHT. Surely.

[The information follows:]

The information provided to the committee last year was $9 billion for the fiscal year 1983–90 increment of the plan period. The estimated cost of the plan for the fiscal year 1982–92 time period is $11.7 billion. While this is not the total cost, the $11.7 billion does represent the major portion of the expected costs of implementing the plan.

Senator ANDREWS. What costs and savings have been realized so far? Have we begun to see these savings, or are they still down the line?

Mr. ALBRECHT. They are still essentially down the line, Mr. Chairman.

Senator ANDREWS. Does FAA still expect a 14,000 staff reduction and yearly savings of $450 million by the year 2000?

Mr. PLISSNER. Yes, sir; when compared with 1981, annual savings of over $400 million and over 14,000 staff are contemplated by the year 2000.

Senator ANDREWS. So far no delays or program adjustments have revised those claims? Is that out-year target still in place?

Mr. PLISSNER. Essentially, it is still in place. What has taken place for the most part are adjustments to the capital program necessitated by somewhat lower appropriation levels for facilities and equipment. With this appropriation request this year, we would be back on course.

Senator ANDREWS. How can you say that the NAS plan schedule will be kept essentially intact and on target when the budget shows unobligated balances accumulating to $1.6 billion by the end of fiscal year 1985? Doesn't that represent a considerable slippage?

Mr. FENELLO. No; there is no slippage. Al can walk us through the full funding concept, which is essential to the success of the plan.

Al, do you want to elaborate on that?

Mr. ALBRECHT. Mr. Chairman, when we receive funds for a given program we earmark that money for that program from equipment buy through field commissioning.

Typically, for a given program, in the first year we obligate funds for the equipment for the program—somewhere between 35 and 45 percent of the funds requested for the program. In the ensuing years, the balance of the funds are obligated for spares, test equipment, site surveys, construction, and installation. The program is time-sequenced over 5 years.

These are the unobligated balances you referred to. They are unobligated but are reserved to complete the ongoing programs the Congress has preapproved. These unobligated balances rise for the next few years, and then decrease, but again, we are talking about reserved or committed money. It is money that has been earmarked, and identified for specific programs in the out-years.

In terms of impact on the trust fund, with the present NAS plan funding profile, the trust fund balance comes down sharply, and by the end of fiscal year 1987, it is down to around $600 million.

PRIORITIZATION OF PROJECTS

Senator ANDREWS. The committee understands prioritizing projects in a large program like this is certainly arduous, especially when much of the major procurement is interdependent. We assume that the FAA's adjustment to the fiscal year 1984 F&E program, through your letter of November 21, 1983, involves some prioritization.

Can you prioritize the fiscal year 1985 F&E projects at the $971 million obligation level, and at the $1.657 billion approriation level?

Of the $971 million projected obligations, how much is from funds provided in fiscal year 1983, fiscal year 1984, and fiscal year 1985?

[The information follows:]

Of the $971 million in projected obligations, $138 million is from fiscal year 1983 funds, $240 is from fiscal year 1984 funds, and $466 million from fiscal year 1985 funds. The balance of the projected obligations ($127 million) will be for funding appropriated prior to fiscal year 1983.

Mr. ALBRECHT. Mr. Chairman, first of all, let me address the impact of the reduction in the F&E funding from last year, which was some $250 million, which has been added to the request for this year.

Basically, in examining those programs, it wasn't a matter of priority, we took a look at what would have the minimum schedule impact on the overall NAS plan. Basically, we took those programs that could be slipped from a few weeks to a few months over the next fiscal year. We did that so the obligations would occur in early 1985.

It is difficult if not impossible to prioritize the NAS plan. It is a system plan with virtually all facets tightly interrelated. If there is a substantial cut in 1985, we have the following sort of situation. We have the programs that were deferred from 1984, which I just mentioned, plus the contractual follow-ons from previous years and you end up with a requirement for about $850 million. The host F&E requirement in 1985 is for some $244 million. You're at $1 billion and we still have nothing but hardcore programs left.

I can submit a specific list for the record, if you want.

Senator ANDREWS. If you could, we would appreciate that.

Mr. ALBRECHT. Yes, we will.

[The information follows:]

LIST OF OBLIGATIONS AND CARRYOVERS

The list is as follows:

Fiscal year 1984 deferrals—$250 million

Includes long range radar modifications, replace air route traffic control center/remote center air/ground signaling/control equipment, airport surface detection equipment, replace TPX–42 terminal computer systems, National Airspace System remote maintenance monitoring, provide bright radar indicator tower equipment, integrated communications switching systems, replace tube-type communications transmitters/receivers, etc.

Multiyear continuing programs—$830.1 million

Major items include radar microwave link system replacement/expansion, provide Doppler weather radar (NEXRAD), modernize air traffic control computer with host, airport surveillance radar replacement, Mode-S surveillance system, flight service station modernization, etc.

Balance of request—$576.9 million

Major items include advanced automation system, National Airspace Data Interchange Network, airport traffic control tower replacement/ establishment, multichannel voice recorder replacement, automated weather observation system, etc.

CONCERN OVER UNOBLIGATED BALANCE

Senator ANDREWS. You can see why we are concerned when the total F&E request for fiscal year 1985 is for $1.6 billion, and at the end of the year, the unobligated balance is the same $1.6 billion. Furthermore, we are in a squeeze under the budgetary limitations, and budget

requests which we are given in this subcommittee includes roads, airports, the Coast Guard, and several others. We kind of wonder why you need new appropriations when you are not going to obligate, even though you have funds earmarked.

Mr. ALBRECHT. We understand the concern, Mr. Chairman. I think that unobligated balances are perhaps an unfortunate term. The money, as I said, is specifically earmarked for programs and, in fact, if we feel for some reason that it is necessary to change the use of that money, we need to come back to the Congress for reprogramming authority.

If the earmarked funds were not retained for the specific purpose they were intended, we would have purchased equipment but wouldn't have the funds for installation, site surveys, et cetera, and we would have to warehouse the equipment. This would have a very serious impact on any program.

Senator ANDREWS. Then you intend to ask for reprogramming if there is any change?

Mr. ALBRECHT. If we need changes, we would certainly come back to the Congress and identify them. As of this time, we have no such requirement.

AIR CARRIER INSPECTORS

Senator ANDREWS. Last week, the Department provided revised budget justification material to the committee, reflecting Secretary Dole's recent commitment for 166 additional air carrier inspectors. This brings the number of inspectors back up to the 1981 authorized level of 674. Prior to this revision, the FAA budget was showing a 280-position decrease in the activity that staffs and funds the air carrier inspectors.

Since aviation safety is FAA's principal mission, with so many carriers out there, why had you decreased staffing in an area that is so important?

Mr. FENELLO. Tony, would you cover that please?

Mr. BRODERICK. Mr. Chairman, the decrease largely was as a result of reformatting the fiscal year 1985 budget as compared with fiscal year 1984. However, prior to fiscal year 1984 we reduced inspectors as a result of management initiatives anticipated from the aviation safety analysis system. Automation, we felt, was providing increased efficiency for the work force, therefore, we could do the same job with fewer people.

Senator ANDREWS. After accommodating the need for the 166 additional inspectors, why are you still 114 below what the committee had approved last year for fiscal year 1984?

Mr. BRODERICK. The 166 additional inspectors brings the authorized air carrier inspector work force, that is the inspectors who work on the large scheduled and commuter airlines, up to its high of 1981, which was, I believe, 674, sir. There is no reduction in this program.

Senator ANDREWS. Are any of these 114 air carrier inspectors?

Mr. BRODERICK. No, sir; there are not.

Senator ANDREWS. Or are there other types of inspectors like general aviation, manufacturing, or airport?

Mr. BRODERICK. I am sure that there are some general aviation inspectors, and there are also some management people who carry the formal job title of "Aviation Safety Inspectors." But none of those 114 represent field, working with the airlines, air carrier inspectors.

Senator ANDREWS. How are you going to ensure that current and new inspectors seek out significant safety violations, and not minor infractions as the National Transportation Safety Board, Chairman Burnett, has testified?

Mr. BRODERICK. Sir, when we are accused of a situation where inspectors have found only minor infractions, we view that as management deficiency on the part of the FAA. We investigate all such occurrences, and in this particular case that you refer to, we have done so and we have taken remedial action. It is not either the system or the record of the FAA to be searching out only minor deficiencies.

Mr. FENELLO. I might add that I would consider some of the comments made by the NTSB as unfair characterization of the approach FAA is using in its safety mission.

Senator ANDREWS. Would you expand on the specifics that you disagree with, for the record?

Mr. FENELLO. For the record, the one reference that our inspectors spend time checking on whether the hangar was swept out properly or not, I considered that to be off the mark considerably.

Senator ANDREWS. Did your inspectors spend a good deal of time worrying about the sweeping out of the hangar, or didn't they?

Mr. FENELLO. I am not aware of any of that.

Senator ANDREWS. Can you provide additional data for the record on that particular charge?

Mr. FENELLO. We can.

Senator ANDREWS. Actually, this gives you the opportunity for rebuttal, which I imagine that you would welcome.

Mr. FENELLO. I appreciate that, Mr. Chairman.

[The information follows:]

Any assertion that FAA inspectors are not performing to the highest professional quality expected of them is interpreted by FAA management as an alert to a possible management deficiency. Such alleged deficiencies are taken very seriously and receive prompt and thorough investigation. If proved true, swift and decisive corrective action is taken. FAA inspectors are thoroughly and professionally trained and are fully aware of the requirements of their duties. The training program in which all of them participate is directed at developing and maintaining the highest level of professionalism in their respective fields. In the specific case mentioned regarding Air Illinois, the director of the Great Lakes Region instituted a thorough investigation of the management and surveillance functions of FAA inspectors assigned to that carrier. He found a number of deficiencies which were promptly corrected by him. FAA management is constantly alert to the need for the highest level of professionalism in the work force and welcomes any constructive input suggesting that improvements might be made in specific cases.

LIFTING OF AIR TRAFFIC CONTROL CONSTRAINTS

Senator ANDREWS. Earlier this year, the chairman of the Safety Board testified of his concern over lifting air traffic control levels too quickly. What is FAA's response to the Board's current assessment?

Mr. FENELLO. We have those who protest that we are doing it too fast, and those who protest that we are not doing it fast enough.

Ray Van Vuren, the head of air traffic, can address that problem.

Mr. VAN VUREN. Yes, sir. We have lifted all of the constraints that we had on the system right after the strike. The general aviation reservation system was terminated on December 31, plus the slot allocations for all of the airports, with the exception of Los Angeles.

What we have been doing is a load management system. We are doing this through a computer right now. As an example, prior to the strike, we had massive airborne delays and I am sure you are well aware of that, Mr. Chairman.

About 57 percent of our total delays at that time were airborne, and today they are running about 10 percent. That 10 percent, actually, is based on unforeseen happenings, in other words, weather going below minimum, disabled aircraft on the runway, or navigational aids being out at the arrival airport.

We are flowing the traffic and metering the traffic right now. We have also implemented what we call traffic management units in all of our 20 air traffic control centers, and also at a couple of our large terminals. They handle the individual traffic flows within that geographical area that is assigned to that facility. At the national facility, which is a central control facility, located at the Washington headquarters, where the computer is, they do the metering for the entire system. That is how we control the traffic.

Senator ANDREWS. Is the controller work force adequately seasoned to deal with the existing capacity today?

Mr. VAN VUREN. Yes, it is.

FSS MODERNIZATION EQUIPMENT

Senator ANDREWS. Last year, the committee was told that hardware for flight service station modernization was scheduled for delivery in January 1984. At last November's consolidation plan hearing, we were told that the delivery date had slipped to July 1984, with operational site delivery in October 1984. What is the current status?

Mr. FENELLO. We can provide an answer to that. Essentially, hardware is doing very well. It is the software that is our problem.

Marty, do you want to comment on that?

Mr. POZESKY. Mr. Chairman, the hardware model 1 is now scheduled for October 1984, and that represents a slippage with the software computer programming problems.

Senator ANDREWS. Are you talking about operational site delivery, or are you talking about delivery date?

Mr. POZESKY. I am talking about delivery to the first field facility, and then there will be commissioning time after that.

Senator ANDREWS. So you are still at the figure we were given last November.

Mr. POZESKY. No; you were given June last November.

Senator ANDREWS. Last year, we were given a delivery date of July 1984, and operational site delivery of October 1984.

Mr. POZESKY. Then that is correct, we are currently at that figure right now.

Mr. FENELLO. Mr. Chairman, with your permission, knowing of the great interest that the subcommittee has in the subject, we have Dave Hodge, the manager of our programs in that area, who is prepared to give you a very short presentation, aided and abetted by a few charts, if you can spare the time.

Senator ANDREWS. Fine, we will hear that. We will be glad to hear that, and then I want to turn to Senator Byrd who I know has a busy schedule.

Senator CHILES. I wonder if before he does that, we could hear from Senator Byrd, because I want to get into this a little bit myself.

Senator ANDREWS: You want to get into that, fine. Let's hold that.

Senator Byrd has been here, and as the Democratic Leader in the Senate, he has other obligations. I know he has some questions to ask.

Senator Byrd.

WEST VIRGINIA TOWERS

Senator BYRD. Thank you, Mr. Chairman. I also thank our ranking member, Senator Chiles.

I heard what you said about nonclosures of air traffic control towers. But, for the record, I would like to ask some questions with respect to specific towers in West Virginia.

Last October, the FAA submitted to Congress a report on the air traffic control system in which some 52 air traffic control towers were identified as candidates for closure. Of those 52 towers, 4 were in West Virginia.

I was advised that one of these four, the air traffic control tower at the Greenbriar Valley Airport, will be staffed 7 days per week, 10 hours per day, as of April 15 of this year. Is everything proceeding on schedule with reference to the staffing of that tower?

Mr. FENELLO. Yes; it is, Senator.

Mr. VAN VUREN. You are talking about Lewisburg?

Senator BYRD. Yes.

Mr. VAN VUREN. Yes; Lewisburg will be staffed as of April 15, 10 hours a day, 7 days a week, until such time as a contract is let on the tower. We plan to do that sometime in June of this year.

Senator BYRD. Then what will happen?

Mr. VAN VUREN. It will be the same type of operation, whatever number of hours that they are required to operate the facility.

Senator BYRD. The October 1983 report also identified the air traffic control towers at Morgantown, Wheeling, and Clarksburg as candidates for closure. I continue to hear, notwithstanding what you said, Mr. Fenello, from persons that this tower or that tower is likely to be closed. Would you address yourself to the question of whether or not there are any plans to close any of these towers during the remainder of this fiscal year.

Mr. VAN VUREN. Those three towers that you mention do not meet retention criteria, based on the criteria that we have to date. The staff studies for those are just being submitted to us for final determination.

As Mr. Fenello mentioned, right now, we plan no closure of any towers that we have right now in the inventory until such time as we have cleaned up or addressed all of the issues that pertain to the contract tower program. So it should be October of this year before we would have the final determination of what type of a process or program we would have for contract towers.

CONTRACT TOWER PROGRAM

Senator BYRD. Could you state specifically at this point what your plans are as of now for these towers in fiscal year 1985?

Mr. VAN VUREN. In fiscal year 1984, we are planning right now for the contract tower program, and it would be to go to a total of 15 towers. In this 1985 budget, we identify a total of 45 towers that we plan to have under the contract program. We have a total of four right now, adding Ardmore, Okla., which became effective yesterday when we signed the contract, and it will be opened on the 5th.

There are 11 additional towers that will be added to that for a total of 15. Also addressed in that total of 15 that I am talking about, there are 6 of them that were suggested by the Congress that we take a look at. Those will be satisfied.

The other 30 towers for contract, we have not identified, and we will not until such time as we develop the criteria. Therefore, we plan no closures until determination has been made.

Senator BYRD. When do you expect to make that determination?

Mr. VAN VUREN. In October of this year.

Senator BYRD. The calendar year.

Mr. VAN VUREN. Yes.

Senator BYRD. Will you be coming to the committee for approval of the decision that you make?

Mr. VAN VUREN. Yes, sir.

Mr. FENELLO. Yes, we will, sir.

Senator BYRD. The flight service station at Elkins had four frequencies, two VHF and two VOR located at Elkins and Kessle, W. Va. The FAA has removed the VOR frequencies to Charleston, leaving the two VHF frequencies. There is one problem with this arrangement—the mountains surrounding the two VHF towers are some 1,400 feet higher, thus radio contact begins and ends with the Talcott Valley, in which the airport is located.

I would like, Mr. Chairman, for the record, to submit a letter from a pilot who has experienced some difficulties as a result of this arrangement.

Senator ANDREWS. We will be glad to put that letter in the record at this point.

[The letter follows:]

LETTER FROM DENNIS G. PETERSON, PRESIDENT, MOUNTAIN JET AVIATION, INC.

MARCH 20, 1984.

Hon. ROBERT C. BYRD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: I'm writing to inform you of a situation that has developed in the Elkins area and which I'm confident will prove to be disastrous sooner or later.

Elkins has one of the finest FAA flight service stations I have ever dealt with in my 13 years of civilian flying. Even though we have a highly motivated and professional staff at the Elkins facility, the service they render will be affected by the equipment they possess. The FAA, through no logic I can comprehend, has left this facility virtually "voiceless" through removal of certain radio communication frequencies. In addition to doing the aviation community and the Elkins FSS a disservice, I'm confident that it will spell tragedy and perhaps cost the lives of pilots and passengers.

The FAA, in response to what I feel is political pressure, decided to consolidate and modernize the FSS network. As part of that program, the Elkins and Kessel VOR radio navigation facilities were upgraded in terms of hardware, but at the same time the remote communications links that tied these stations to the Elkins FSS were remoted to Charleston FSS. That leaves the Elkins FSS with only two frequencies available for radio communication.

In keeping with the lack of logic displayed by the FAA, the transmitter receiver antennas for these two radio frequencies are located on the roof of the Elkins Airport Terminal building. Despite any thoughts it may have to the contrary, even the FAA must abide by the rules of physics. Those rules demonstrate that VHF radio waves are transmitted and received on a line-of-sight basis and they will not pass through the mountains which surround Elkins and are 1,400 feet higher than the FSS antennas.

In effect, communications with Elkins for any aircraft, except high altitude, begins and ends with the Tygart Valley. With regard to radio communication the FAA has preempted Elkins from its mandated task of assisting the aviation community.

This may not seem like a disaster at first blush, but I ask you to place yourself in an airplane I heard Elkins "assist" about a year ago. This man was trying to cross the mountains and got disoriented in severe turbulance and deteriorating weather. He established contact with Elkins and told the specialist he could see a lake and a power generating station. Immediately the specialist knew the aircraft was by the Mt. Storm power station and directed him safely to Petersburg Airport. We don't have that capability now. These pilot "assists" are a very important part of the FSS function and are more likely to occur here in the mountains which I'm sure you know possess some of the most severe flying weather in the Eastern United States. These "assist" accounts are numerous and I would refer you to Mr. Winston Hall, Elkins FSS manager, or any of his veteran staff members who handle these situations first hand, if you want to hear more of these accounts.

I had a potentially bad situation March 14, that prompted this letter. I responded to a Medivac call from Silver Creek Resort, to transport an injured skier. I picked the patient up at the resort and because of the previously mentioned radio communication problem I could not contact Elkins FSS for the first 10 minutes of the flight. I use Elkins FSS to provide a telephone link between my aircraft and the hospital, transmitting to them the type of injury, vital signs, and my arrival time. This patient arrived at Davis Memorial Hospital and was given some initial attention before the physician requested that I transport her to WVU Medical Center in Morgantown. We left Elkins and as we flew over the Belington-Philippi area the patient became restless and combative. The paramedic requested that I reestablish contact with the hospital to determine whether they had administered a particular drug to this patient. At this location I was unable to contact Elkins. The transfer was completed in spite of this; however, the situation could very well have been worse.

I thank you in advance for your consideration and attention to this matter.

Sincerely,

DENNIS G. PETERSON, *President.*

EQUAL OR BETTER SERVICE

Senator BYRD. Thank you, Mr. Chairman.

"It would not appear that this leaves Elkins with equal or better service." Would you care to comment on this?

Mr. VAN VUREN. I am familiar with the letter that you have, Senator. We are investigating that right now. I understand this may be a helicopter user—I don't know whether he was operating a helicopter or not—and we are trying to find out what altitudes he was operating at. If he was below the area of coverage, then it would be a normal thing. That is what we are trying to ascertain right now.

Mr. FENELLO. That is a problem, Senator, that can be accommodated with proper location of antennas and so forth. We will certainly address that.

Senator BYRD. Would you provide that for the record, when you ascertain what the facts are.

[The letter follows:]

LETTER FROM DONALD D. ENGEN, ADMINISTRATOR, NATIONAL TRANSPORTATION SAFETY BOARD

JUNE 11, 1984.

Hon. ROBERT C. BYRD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: Thank you for your letter of March 22 regarding Mr. Dennis G. Peterson's concerns over the radio communications procedures in the Elkins, W.Va., area.

A review of the facts regarding the air-to-ground radio communications in Elkins reveals that the service rendered by the Federal Aviation Administration (FAA) to the aviation community is safe and, in fact, has been improved through increased reliability and availability of service at a reduction in cost of operation. The radio communications equipment at the Elkins Flight Service Station (FSS) is solid-state, requiring less maintenance and further reducing annual cost of operation.

At the Elkins FSS, five frequencies with the associated antennas provide radio communications coverage in the Tygart Valley and down to the ground at the Elkins Airport terminal. Above the adjacent mountain, these communications offer line-of-sight coverage outside the Tygart Valley. As improvements are added, the air-to-ground communications inside and outside the Tygart Valley remain unchanged. The FAA's review of our radio communication coverage ensures outstanding service at a reasonable cost.

The solid-state radio communications and navigation signal equipment at the Elkins Very High Frequency Omnidirectional Radio Range (VOR) is monitored and maintained by the FAA Airway Facilities Sector (AFS) at Charleston. In the event of a failure at the Elkins VOR, this operation permits a rapid response at minimum cost. The FAA plans to replace the Kassel VOR tube-type components with solid-state equipment in order to reroute control to our Charleston AFS and establish remote maintenance monitoring of the Kassel facility.

On March 14, a Mountain Jet Aviation rotorcraft attempted to contact the FSS personnel at Elkins, W.Va. Owing to the line-of-site characteristics associated with these radio frequencies, communications were not established during the initial minutes of the flight. During emergency operations, the "Medivac Communication Network," operated by the West Virginia State Police, is the appropriate means to maintain communication between an airborne paramedic and a ground-based medical representative. While the operational burden of an FAA facility discourages the relay of such messages, our FSS specialists recognize their responsibility in responding to emergency situations.

In order to address the concerns outlined in the Mountain Jet Aviation letter dated March 22, the FAA has directed the General Aviation District Office to contact Mr. Peterson and to explore viable options in accomplishing his mission that are consistent with the capabilities of FAA facilities.

We assure you that we will continue to provide excellent air-to-ground radio communications service throughout our Nation.

Identical letters have been sent to Senator Jennings Randolph and Representative Harley Staggers.

Sincerely,

DONALD D. ENGEN, *Administrator.*

IMPACT OF HIRING FREEZE

Senator BYRD. Another situation that has come to my attention with regard to the safe operation of our air traffic system, that is to the effect that a hiring freeze is currently in place in the Department of Transportation, and that this freeze will adversely impact on the number of personnel on board to perform maintenance of FAA equipment.

I understand there are two vacancies for maintenance mechanics in Charleston. The Charleston personnel presently provide maintenance of the equipment at Charleston, Beckley, and Bluefield. Neither of these two vacancies, as far as I can ascertain, has been filled. It is my understanding that they can only be filled from within the agency because of the freeze. Is that correct?

Mr. FENELLO. Gene Weithoner will handle that.

Mr. WEITHONER. Senator Byrd, there was a freeze for a period earlier in this calendar year. Last week, as a result of some readjustments in staffing and authorizations, we took the freeze off. So the regions are not now restricted from hiring. They still have employee ceilings that they have to contend with, but the freeze itself is off.

I don't know about those specific ones, but we will be glad to track that down for you from the Eastern Region, and we will report on it.

Senator BYRD. I have a letter, dated February 24, 1984, signed by Director Joseph N. DiBalzo, which reads as follows, in part:

While there are numerous vacant positions within the FAA which could be filled through outside hires, budget restraints prevent the agency from increasing the size of the work force. Under these circumstances, the efficient and effective utilization of human resources dictated that a potential candidate for the vacant position be sought from the present employee population. As a result, the position was advertised and filled from within.

I understand that that has not been the case, and that these positions are still vacant, at least they were as of March 13. The one and only maintenance mechanic will be leaving Charleston as of April 1984. Could you comment on that?

Mr. WEITHONER. I think as of earlier this month, there was severe constraint on outside recruitment. That constraint has now been removed. There is no bar to the region going out and hiring someone from the outside right now. We will have to check on the specifics for you, Senator.

Senator BYRD. The two vacancies at Charleston, what is the present circumstance there? Are there still two vacancies, and what are your plans if there are as to the future?

Mr. WEITHONER. I don't know the details, Senator. If I were to make a guess, I would guess that the vacancies are still there and that the region is now moving to fill the jobs, but I would have to confirm it.

[The information follows:]

The two vacancies were advertised nationwide and candidates have been identified. To date no selection has been made by the Eastern Region Office.

Senator BYRD. In your statement, on page 21, I read the following sentence: "This represents an increase of $1.22 billion, and a decrease of 805 direct, full-time permanent positions from fiscal year 1984 levels." Does that have anything to do with the two vacancies to which I referred, one of which is a maintenance mechanic?

Mr. FENELLO. No; it does not, Senator. Those numbers refer primarily to the fact that the big increase in hiring in the air traffic control system is behind us now, and it represents a cutback to more normal hiring levels.

Senator BYRD. What about the position at Lewisburg. I understand that there is a mechanic position there, and that it will be abolished. Is that correct?

Mr. WEITHONER. Again, I am not acquainted with the specifics of that, but we will check on it, sir.

Senator BYRD. When you check on it, please let me know, will you?

Mr. WEITHONER. Yes, sir.

[The information follows:]

A decision has been made not to fill this position since part of the workload will be contracted out and the remaining work will be accomplished within current staffing.

Senator BYRD. Do you expect these vacancies to be filled, if they are not filled—I am talking about the vacancies in mechanic positions.

Mr. WEITHONER. Without knowing the specifics of that job—normally the vacancies would be filled. It is possible, as Mr. Van Vuren indicated earlier, that some part of the tower operation might be contracted in the future, in which case the positions would be filled by contractors. For right now, we would expect that normally they would be filled either from within the FAA, or by an outside hire.

Senator BYRD. Would you supply the information in response to these questions to the committee, for the record. I will have someone on my staff in touch with you, I would like to be informed as to what the situation and what your plans are with regard to these mechanic positions. Are you on board?

Mr. WEITHONER. Yes, sir.

Senator BYRD. All right.

Mr. PLISSNER. Senator Byrd, I might note that there is no plan in the budget to reduce the number of positions for system maintenance from the current year, fiscal year 1984, to next year, fiscal year 1985. Again, without reference to the specific ones, the totals are not changing, and if we have the positions, it is our intention at some time that they be filled.

CONTRACT TOWER PROGRAM

Senator BYRD. With reference to the Morgantown air traffic control tower, do you have any plans to close that tower?

Mr. VAN VUREN. Not right now, sir. As I mentioned earlier, they still fall into the contract tower program. Until we finalize our decision on the contract tower issue, we don't plan on closing any additional towers right now.

Senator BYRD. What do you mean by right now?

Mr. VAN VUREN. It will not be until October, or after October. Before we would make a decision to proceed with any closures, we would come to this committee and give you our recommendations of which ones we are going to close. We do have some 44 towers that are in the inventory that do meet the decommissioning criteria, and we have to address those. We are looking at the contract tower program to see how that fits in. We are working with the Office of Management and Budget and the Department of Transportation in trying to resolve that issue.

Senator BYRD. In other words, you don't have any plans to close any of those towers in West Virginia in this fiscal year.

Mr. VAN VUREN. That is right.

Senator BYRD. Do you have any plans to close those towers in the next fiscal year?

Mr. VAN VUREN. We possibly could, depending on what comes out of the contract tower program. They could end up as contract towers.

Senator BYRD. Then what is your answer to that question, yes or no?

Mr. VAN VUREN. I really can't give you an answer because we haven't determined the criteria as to how they would fall into the contract tower program. If they fall into a contract tower program, even though they meet decommissioning criteria, we would go ahead with a contract. It could be a cost-sharing program that would be involved there.

If we do not include those in the contract tower program, then we would have to address the issue of whether they should be closed or not, because they are decommissioning candidates and they do not meet the criteria.

Senator BYRD. So you don't have any plans as of now to close those towers in 1985.

Mr. VAN VUREN. Until 1985, that is right.

Senator BYRD. You have no plans as of now to close those towers in 1985?

Mr. VAN VUREN. Yes, sir; that is right.

Senator BYRD. The same response would be true with respect to Wheeling?

Mr. VAN VUREN. Yes, sir; Wheeling, Clarksburg, and Morgantown.

Senator BYRD. All right.

Mr. Chairman, I may propound additional questions for the record.

Senator ANDREWS. The record will be open for those additional questions.

FLIGHT SERVICE STATION CONSOLIDATION

Senator CHILES. Chairman Andrews is going to be out for a minute. I think we can have the presentation, if you want to, on the flight service station consolidation.

Mr. HODGE. Thank you, Mr. Chairman.

I would like to rapidly go through what the automation system consists of and what the consolidation of flight service stations consists of, and where we are in the automation program.

AUTOMATION PROGRAM

First, the automation program, as defined on this chart, explains that we have a model 1. As you have heard, we are well along on the model 1. The system design is complete. The system integration process is taking place at this time, and first field deliveries are due in October 1984, with the final installations in April 1986.

We are reassessing a revision of the implementation approach to model 2 which would make it essentially an enhancement to model 1. We estimate delivery of those model 2 enhancements in mid-1986 through 1989.

As you know, the Automated Flight Service Station Program also includes new buildings, and the consolidation of the existing flight service stations into these new buildings. Three of these buildings are operational and by the end of fiscal year 1984, a total of eight more additional buildings will be available. In fiscal year 1985, we will have 18 more, and 12 in fiscal year 1986, for a total of 41 buildings.

With regard to the funding program—our original estimate was $495 million. We are presently estimating the program to cost $422.2 million. The difference is because we are not going to federally fund the building of as many facilities as we initially planned. Many of these buildings will be leased buildings.

The appropriation through this fiscal year is $262.8 million, and we have obligated between $160 and $170 million.

I would like to take a moment and go through what the present system looks like, and we will use, for illustration purposes, two models of complex flight service stations, and that will lead into the Bridgeport consolidation.

Senator CHILES. Would you explain, so I can understand, what the difference is between model 1 and model 2, and are you proposing to do model 1 and then model 2, or are you going to abandon model 1 and do model 2?

Mr. FENELLO. I will ask Mr. Pozesky to address that.

Mr. POZESKY. Model 1 and model 2 are various stages of automation. Model 1 is the first stage of automation. Model 2 adds a number of additional automation features; for example, being able to dial into the flight service station from a home computer requires a model 2 capability.

We are simply looking at our strategy for changing from model 1 to model 2. The current program starts out with model 1, and then imple-

ments the model 2, with a completely new set of technical computer software.

We are looking at an alternative strategy which simply takes the model 1 computer software and builds on it by adding additional capabilities, to allow us to get to model 2.

That is what we meant when we said that we were reassessing the model 2. We do not believe that the reassessment will affect the schedule in any way. It is simply a reassessment inside the program of how we are going to get to model 2.

We have not yet made that decision. We are consulting with our system engineering contractor to help us in that decision. We are probably a month or two away from making a recommendation internally within FAA on whether to change the technical approach. Again, it is just a technical approach concerning how we go from model 1, which is the initial automation, to model 2, which is more advanced automation.

FUNCTIONS OF FLIGHT SERVICE STATION

Mr. HODGE. In the flight service station, we have basically three functions.

One is a radio communications function where a pilot may radio in from the air to the flight service station; he can file the flight plan and get weather briefings.

Another is a telephone communication link, where the users telephone the flight service station to get weather briefings, file flight plans, and other information services.

Finally, there is a walk-in service, where the pilot could, in fact, walk into the flight service station get weather briefs, and file flight plans.

Today, 177 of 316 flight service stations have leased service A, a Western Union leased system which provides the flight service station specialists with access to weather and other aviation information.

In this rather complex flight service station, we also do a considerable amount of monitoring of navigational aids, which may help airway system.

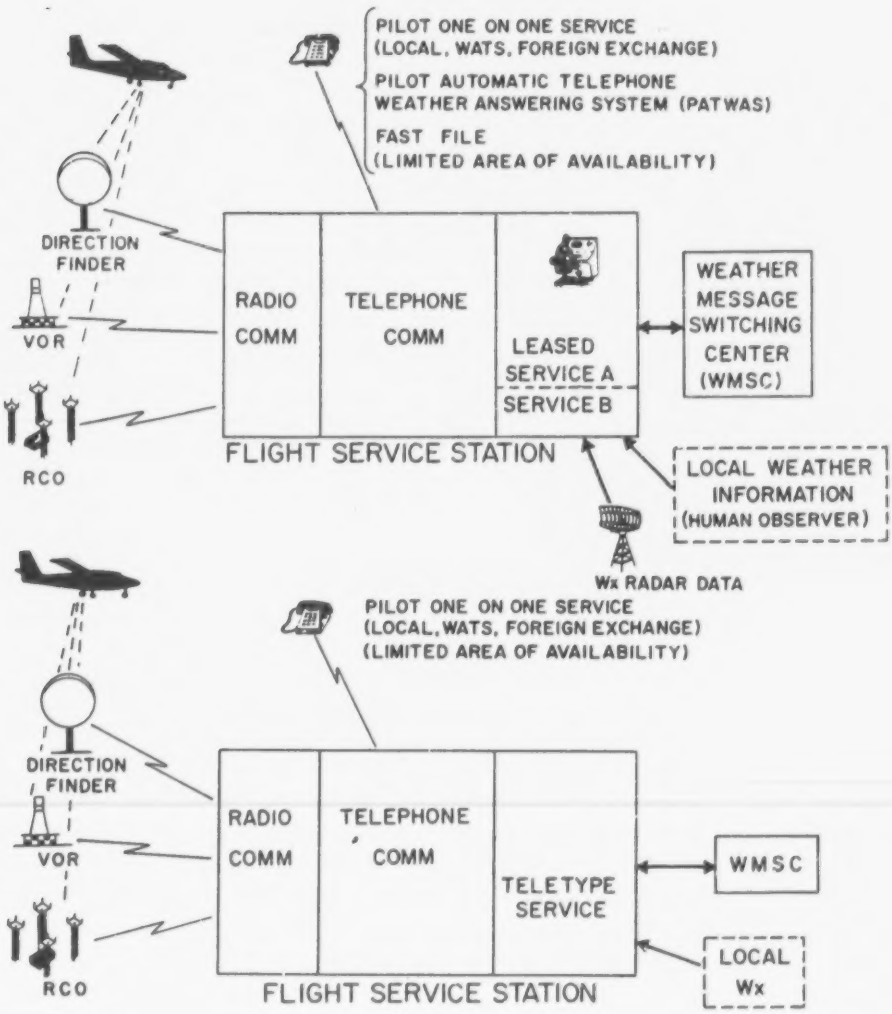
In a less complex flight service station, we may not have quite as many navigational aids or monitoring going on. We have the same radio and telephone system, and we are using the teletype model A to provide the aviation information rather than the leased service A in the more complex flight service stations.

Senator ANDREWS. Would you, Mr. Acting Administrator, provide hard copies of the charts, so that we can put those charts into the record?

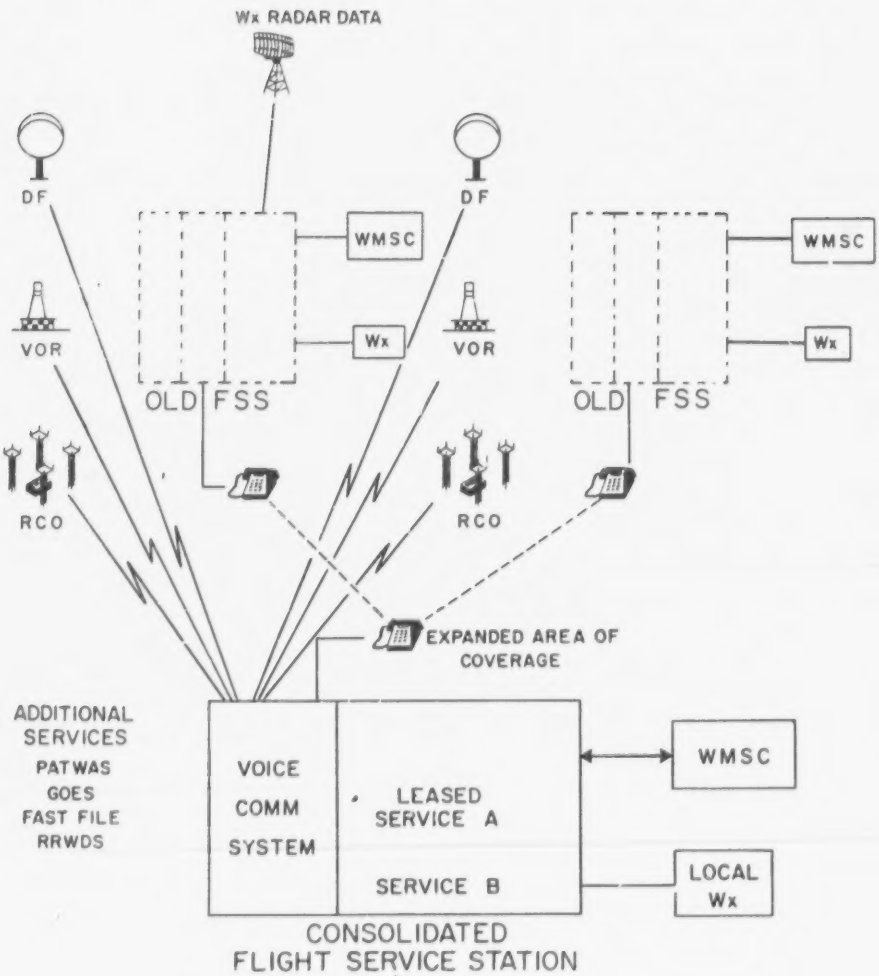
Mr. FENELLO. Yes, Mr. Chairman.

[The charts follow:]

FLIGHT SERVICE SYSTEM (PRESENT)



CONSOLIDATION



Consolidation

Consistent With Three Year Plan

- — More Effective Configuration
- — Improved Service To User
- — Reduced Cost
- — More Effective Use of Personnel
- — Supports Transition To Modernized System

104 FSS Consolidations Thru FY-1986

— FY-1984	26
— FY-1985	29
— FY-1986	49

Nine-Twelve Months Required For Implementation

Thirty-Nine Facilities Planned For Commissioning Thru FY-1986

Bridgeport Consolidation

Commissioned March 3 1984

— Personnel and Services
  - Boston, Ma. FSS
  - Windsor Locks, Ct. FSS

— Comparable to Leesburg, Va., Consolidation FY-1976

Level of Service

— All Essential Services Remoted

— Additional Functions/Services Provided

— User Assessment Favorable

— Increased Use of Direct Access

— Weather Observations Continued

Transition

— No Adverse Effect on Safety

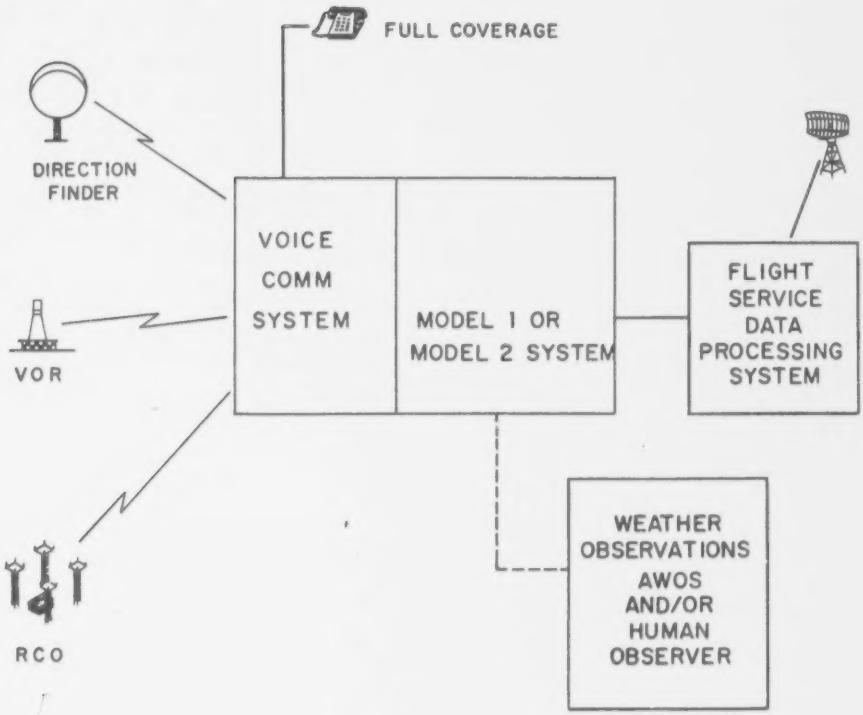
— Essential Services Maintained

— Specialist Training/Certification Objectives Achieved

Conclusion

— Consolidated Bridgeport FSS Providing an Equivalent Level of Service

FLIGHT SERVICE AUTOMATION SYSTEM



Automation

Model 1 System

— System Design is Complete

— System Integration is Progressing

— First Field Delivery, October 1984

— Final Installation, April 1986

Model 2 System

— Assessment of Revised Implementation Approach

— Estimated Delivery, Mid 1986 Through 1989

Building Acquisition

— Availability

- FY-1983 3
- FY-1984 8
- FY-1985 18
- FY-1986 12

Program Funding

— Original Program Estimate	$495M
— Present Program Budget	$422.2M
— Appropriations Through FY-1984	$262.8M
— Obligations To Date	$160-170M

CURRENT MODEL A SYSTEM

Senator CHILES. In the model A, you are still going to have telephone communication?

Mr. VAN VUREN. Senator Chiles, what you are seeing right now is the current system. This is not the automated system that we are talking about here. He will get into that in a minute, but right now he is just showing you what the present system looks like.

Senator CHILES. Both are the current system now?

Mr. VAN VUREN. Yes.

Senator CHILES. I see.

Mr. POZESKY. Yes; both of these are the current system, just different levels of activity.

FSS CONSOLIDATION

Mr. HODGE. I would like to describe consolidating flight service stations, using the current system, and exactly what that means. I described what the flight service stations look like. The consolidation that we are proposing involves moving today's flight service stations into new flight service stations using today's equipment, in other words, continuing to use leased service A. This is an example of what we have done at Bridgeport.

At the Bridgeport facility, we consolidated the flight service stations from Boston and Windsor Locks. Both of those facilities are examples of very complex flight service stations, as indicated on the top of the last chart.

The consolidation of these flight service stations is simply moving today's present equipment and terminating the telephone briefing lines, those that monitor the navigational aids, and the lines that may come from weather radar and from other air traffic control facilities in the same location.

This is pictorially showing that the telephone, instead of being in the old flight service station, is now in the new flight service station. The voice communication to the aircraft is at the new flight service station, and the old weather systems report to the new flight service station in lieu of the old flight service station. At locations where the FAA is responsible for the weather, we, of course, will continue to take the weather.

You do not need an automated weather system to do this consolidation. We will certainly continue to do the weather service via contractual means for flight service stations that are closed if the FSS is responsible for that service. If the National Weather Service is responsible for the service, they will do the weather.

There are some additional services that can be provided in this new consolidated flight service station that may well not have been at the others. This is typified by the Bridgeport consolidation, where the Windsor Locks Flight Service Station did not have some of the additional services that are now being provided.

VOICE COMMUNICATION SYSTEM

Senator CHILES. On that voice communication system, is that a recorded voice that you are going to get there?

Mr. HODGE. No; we are still talking to the pilot air-to-ground on telephone, but we are using a more complex and more advanced telephone switching system. This is not the model 1 or the model 2.

Senator CHILES. We haven't gotten to the model 1 or the model 2 yet.

Mr. HODGE. No, sir.

Senator CHILES. Is this what was done at Bridgeport?

Mr. HODGE. Yes, sir; this is essentially what was done at Bridgeport. This is how we are consolidating those kinds of facilities.

We are still planning to consolidate as we proposed to the Congress last October. The consolidations proposed are consistent with that plan. We feel that the consolidations will provide a more effective configuration and will improve service to users. These consolidations will reduce cost, and most importantly they permit more efficient use of our personnel.

Let me elaborate on that. We have the situation of the flight service station with three or four people, not very many telephone lines, and a small volume of requests for service. This compares to a flight service station that is real busy, and the people there can't get to all the phones. We would like to move the people from the less busy FSS, and put them where the greater activity is so that we can handle all of the demand service. The more efficient use of personnel is a large tenant in the consolidation of flight service stations.

Also, the consolidation of flight service stations supports the transition to a modernized system, the model 1 and the model 2, and the future automated flight service stations.

CONSOLIDATION SLIPPAGE

Senator ANDREWS. But aren't you just still projecting a guess?

You told us at last November's hearing that you were going to have valuable information based on the consolidation at Bridgeport that was going to take place in January. We understand that that consolidation slipped to March. Is that essentially true? Why did it slip until March?

Mr. HODGE. We have a report, sir, that we will be providing to the committee that explains the slippage. It was essentially because of a telephone strike and the AT&T divestiture.

[CLERK'S NOTE: The report, due to its length, is not printed here, but is available for review in the subcommittee files.]

Senator ANDREWS. The point is that the information that you are giving is not based on actual experience. It is still your educated guess.

Mr. HODGE. No, sir; some of the information is based on what happened at the Leesburg Flight Service Station which was consolidated some years ago, and also on a before and after study, which we have completed on the first 4 weeks of that operation at the Bridgeport facility.

Senator CHILES. Does Bridgeport have all of this? I thought you said that Bridgeport had not gone to model 1 or model 2.

Mr. HODGE. Bridgeport is an example of a consolidation based on using today's technology. It does not have model 1 or model 2.

Senator CHILES. Mr. Chairman, we are trying to say the same thing.

Senator ANDREWS. Sure.

TECHNOLOGY NOT AVAILABLE

Senator CHILES. We were told that we would have a study based on using model 1 or model 2 to assure us that everything is going to be all right. The service is going to be as good, and it was going to be acceptable to the pilots. All of those things were going to be taken care of before we would go forward.

Now you are saying, we have not gone that far yet with Bridgeport, is that right?

Mr. FENELLO. That is right, Senator. We will certainly be doing the same testing, reporting, and accumulating of information when model 1 comes along, and then subsequently when it improves to the model 2 condition. However, we do have a collection now of information on the consolidation.

I guess it is important to remind ourselves that consolidation is a separate move all in itself. The consolidation could take place and be justified if model 1 or model 2 were never in the picture. It is a preliminary step which is useful to us, and it sets us up to receive model 1 and model 2. We will certainly provide the committee with our early studies on model 1, when it comes on line, and then, as we transition into a model 2 configuration, have that for you, too.

Senator ANDREWS. The point is, and what Senator Chiles and I are driving at, the subcommittee was told that we were going to have a hands-on learning experience at Bridgeport that could tell the subcommittee in actuality what does happen before we proceed with the mass consolidation and moving to the model 1 and the model 2.

Senator CHILES. We wanted to fly before we buy.

Senator ANDREWS. Essentially, what you are telling us now is that we are not having that learning experience, but we are still going pell mell down the road toward something in a multiple number of places that we have not had the learning experience about.

Mr. FENELLO. Well, Senator, we are proceeding with the consolidation effort which was approved by Congress back in 1980.

Senator ANDREWS. We approved that, but also inherent in that approval was the fact that you were going to pick a site to provide a hands-on learning experience. That site was identified as Bridgeport. We find now that it has been slipped, and we don't have that learning experience.

Does that mean that you are also going to slip the application of these new consolidation techniques to other sites until after you have correlated the learning experience information?

Mr. FENELLO. We will have a lot of experience with Bridgeport before any further consolidations. It takes almost a year to set up and conduct one of these consolidations. The process that we go through to secure the site and the building is probably the smallest part of the job that we have to perform. The advance notice to our people and all of that require early preparation. There is a tremendous amount of work. I dare say that it will be 9 months to 1 year in each location from the time we decide to go ahead with the consolidation before it actually takes place.

Senator ANDREWS. But you are giving us the feeling that perhaps we ought to hold another hearing, after you have some learning experience that you can tell us about, before we release the funds for these other stations down the line, so that we do, in fact, have that actual experience that the committee and the Congress were promised earlier on.

Is that essentially the way you understand it, Senator?

Senator CHILES. I think so, Mr. Chairman. I would like to insert in the record a statement from Juanita Blumberg, who is the vice president of the Central Florida General Aviation Association.

Senator ANDREWS. We will put that statement in the record at this point.

[The statement follows:]

STATEMENT OF JUANITA D. BLUMBERG, VICE PRESIDENT, CENTRAL FLORIDA GENERAL AVIATION ASSOCIATION

The CFGAA, representing 329 general aviation pilots, is strongly opposed to the FAA's Consolidation plan. We believe it will not be cost effective and will have a severe impact on aviation safety.

The present Flight Service Station System delivers service to more than 750,000 licensed pilots enabling them to conduct their flight operations with safety and efficiency. The CFGAA agrees that the system should be modernized and that some stations which are underutilized should be closed, but the FAA proposes to dismantle a system that works and replace it with something which probably won't.

Unless the FAA is prepared to train new pilots and retrain already licensed pilots to analyze weather data as well as the FSS specialists now do, then this proposal is a dangerous one.

Administrator Helms, in testimony before the House Appropriations Sub-Committee on Transportation (Oct. 25, 1983) stated that the primary reason for selecting this plan over other alternatives is that, "Current demand is unsatisfied and is expected to increase significantly in the future." He correctly identified one of the major problems in the existing system. During periods of bad weather, areas of heavy aviation activity often experience delays in receiving weather briefings by telephone. Note that this is with current staffing levels, not with the 30% reduction planned by the FAA. (60% by the year 2000)

<u>The proposed plan will not solve this problem</u> - <u>it will make it worse</u>. Here's why. The FAA has ignored the human factor. The new system is designed to meet the needs of professional pilots and ignores the capability level of the average general aviation user. In it's desire to make use of expanding technology, the FAA intends to replace the best and most effective part of the system - the Flight Service

Specialist - with voice activated, computer generated recordings.

Not only has the FAA dismissed out of hand those pilots desiring face-to-face, "in person" weather briefings, more importantly, they have ignored the critical need for "person to person" telephone briefings, where a pilot can ask questions and receive the assistance of a trained weather specialist when making critical "go" or "no go" decisions.

In the air, the need is even greater. When a pilot runs into bad weather enroute, he does not need another recorded briefing. What he needs is to talk with a specialist who is looking at a radar screen to advise him. Remember that more than half of all general aviation accidents are weather related. Reduced weather assistance equals increased accidents.

Senators, in good weather either system will work well. In bad weather, the proposed plan will result in increased delays and decreased safety.

Here's how it will work. Under the proposal, pilots will receive a recorded weather briefing by telephone. If they need further information or assistance, the recording will refer them to another number where a Flight Service Specialist can be reached. CFGAA maintains that most general aviation pilots will require this further assistance and the specialist lines will be more jammed than they are today because there will be far fewer specialists and ever-increasing numbers of pilots requiring their services.

In addition, FAA has ignored the geographic element. The FSS specialist interprets the weather based upon his training AND his understanding of the local climate and terrain. With centralized FSS, this local knowledge will be lost. Furthermore, in many instances (Louisiana is a case in point), FAA has elected to eliminate the FSS from an area of intensive general aviation activity (New Orleans) and relocate it to the southwestern corner of the state where there is very little aviation activity. This location for the new automated FSS shows gross insensitivity

to the needs of the general aviation community, based as it was on economic factors instead of serving the aviation sector.

As to cost effectiveness, most of the FAA's anticipated savings are due to the large decrease in personnel. We believe that these savings will quickly evaporate when it becomes evident that the system cannot meet the demand at these reduced staffing levels and additional personnel have to be hired and trained.

The FAA report to Congress uses as the basis for it's cost effectiveness figures, "one-time implementation costs" for installation of the new technology but makes no mention of updating or replacing them. What about computer obsolescence? These one-time costs can easily become two or three times costs.

No one at the FAA will be held accountable for the cost over-runs, the taxpayer will. Mr. Helms has already departed and his successor will probably also be gone by the time this plan is fully operational and it's costly deficiencies are recognized.

The American public is weary of expensive bureaucratic boondoggles and "Golden Fleece Awards" which the Congress seems powerless to control or punish. This is an instance where the Congress should act at once to prevent the FAA from spending 500 million dollars to replace a system which just needs a little repair.

The real costs, however, will be in lives lost.

VOICE ACTIVATED RECORDINGS

Senator CHILES. Thank you, Mr. Chairman.

Based on the questions that I was receiving from Ms. Blumberg and other pilots, that is why I raised these questions last year.

Those were some of the things that I thought we were going to get some answers to before we go ahead. Now we find that Bridgeport is a consolidation, but using the same techniques that we had before.

I think the concern of the pilots is that unless the FAA is prepared to train new pilots, or retrain already licensed pilots to analyze weather data, as well as the flight service specialists do now, then the proposal is a dangerous one.

They are pointing that the proposed plan is fine for professional pilots, airline pilots or something, because they more or less have that training, but that this plan ignores the human factor.

It is a system designed to meet the needs of the professional pilots, and it ignores the capability level of the average aviation user.

In its desire to make use of the expanding technology, the FAA intends to replace the best and most effective part of the system, the flight service specialist, with voice activated computer generated recordings.

Bridgeport has not replaced that yet. You still have the ability to talk hands-on to the specialist and get some information and answers to questions. I think that that is the grave concerns of the pilots.

They are saying that even though they are supposed to go through this process, and then be able to later call another number and get some information, their concern is as to whether those lines are going to be jammed, and whether there are going to be sufficient specialists for the ever increasing number of pilots.

They are also concerned as to whether any specialist is going to be able to interpret the weather data for the local conditions of the place there. Maybe those fears can be alleviated, but they are real fears.

They are certainly out there with the general aviation pilots now. Mr. Chairman, I would be very reluctant to see us move forward down this road unless we have some answers to this.

I am not sure, maybe everything we are talking about doing in this new system will be as good or better, but I can't answer that now, and I don't think that it can be answered for these pilots who are very, very concerned out there now.

Senator ANDREWS. That was the reason for the November hearing. That was the reason that we sent the letter.

Senator CHILES. I would like to ask that our letter be placed in the record at this point.

Senator ANDREWS. I think that that is appropriate, Senator, and it will be.

Senator CHILES. Thank you.

[The letter follows:]

Letter to Elizabeth H. Dole From the Senate Appropriations Committee

Honorable Elizabeth H. Dole
Secretary
U.S. Department of Transportation
400 7th Street, S.W.
Washington, D.C. 20590

November 18, 1983

Dear Madam Secretary:

The Appropriations Committee, through the Transportation Subcommittee, has reviewed the Federal Aviation Administration's (FAA) facility consolidation report required by Section 319 of Public Law 98-78. The Subcommittee has also reviewed responses provided by the Department subsequent to the November first hearing on the consolidation plan.

We appreciate and commend the Department's efforts to modernize the airspace system, and we support the concept of cost-saving through consolidations where appropriate.

The Committee, however, has certain reservations about various aspects of the plan. This letter is to inform you of those reservations and the concerns behind them, and to provide further guidance pursuant to Section 319.

With regard to the consolidation of flight service stations (FSS), Congressional direction has been clear: system users must receive equal or better service as facilities are consolidated. As staff resources are diverted from existing FSS, their site-specific expertise regarding the geographical area could be diminished, at least until cross-training occurs. The delay associated with the delivery of automated equipment has deepened this concern. We recognize that you are committed to continuing the high level of safety in the system today, and would, yourself, impose restraint in the progress of the consolidation effort if it was felt that service deterioration could result.

For these reasons, the Committee exercises the coverage of Section 319 through April 15, 1984 to better allow the FAA to support its claim that the interim transition to leased communications equipment will, in fact, provide "equal or better service". The Committee is also concerned that if the automated technology required for the effective operation of the new automated flight service stations is not certified, the savings forecast for the system consolidation will not occur. This issue can be addressed in the context of the fiscal year 1985 budget hearing, when FAA discusses progress at the automated FSS facility at Bridgeport.

We would expect the FAA to be prepared to provide detailed comparisons of services provided before consolidation of FSS and after. The number and types of users and services should be catalogued, and "quality of service" indicators addressed. Problems should be identified, such as phone system overload, and any limitations with weather observations. Efforts made to train personnel in the specifics of the wider geographic area should be described and documented.

With regard to the closing of air traffic control towers, the Committee is concerned about potential safety risks. The FAA has proposed closing 51 towers over the three-year period. In testimony before the Subcommittee, Administration witnesses were asked about the safety hazards at a non-tower airport where there is a regular mix of air carriers and general aviation aircraft. The witness acknowledged that, "(closure) represents a safety hazard when you reach a certain level of that kind of a (n aircraft) mix".

The Committee does recognize that savings could be realized in shutting down towers and supports efforts to reduce costs. However, the FAA makes tower cost-benefit discontinuance conclusions based only on cost-benefit calculations using the existing Federal support for tower operations. In other words, the Committee has not been provided with any alternative propositions based on either lower-cost contract service arrangements, or reduced staffing or hours options.

In view of the above, the Committee provides the following guidelines to be followed by the FAA:

- No tower which is currently open should be closed.

- For temporarily closed towers, FAA should perform further cost-benefit analysis addressing feasibility of local cost-sharing and possibilities of reduced cost to operate towers either through hourly restrictions or staffing reductions. These criteria were embraced earlier by the FAA, and may provide a mechanism by which tower services can be provided at reduced cost to the taxpayer.

- The FAA contracting-out pilot program should be expedited. This program provides a mechanism for Federally-supported towers to be run through a contract service. This approach is consistent with the Administration's goal of turning programs over to the private sector where appropriate. The Committee also expects the FAA to expand the number of towers included in the pilot project, to comply with Committee instructions contained in the Senate report accompanying the fiscal year 1984 appropriations bill and to meet concerns identified by the Committee, during the consolidation plan hearing, at locations such as Cape Girardeau, Greenville and Flagstaff.

- The Committee fully expects the Department to carry out Congressional intent as expressed in Senate reports 98-179, and 98-148.

The Committee disapproves the consolidation of the Eugene, Oregon, General Aviation District Office. FAA's cost savings associated with this action do not appear to justify the necessary relocations. The Committee will entertain, however, any FAA suggestions for mission realignments necessitated by keeping the Eugene office open.

In conclusion, the Committee wishes to state that by questioning these aspects of the consolidation report it is not precluding the attainment of savings which have been linked to success of the National Airspace Plan.

Sincerely,

John C. Stennis
Ranking Minority Member

Mark O. Hatfield
Chairman

Lawton Chiles
Ranking Minority Member
Subcommittee on Transportation
and Related Agencies

Mark Andrews, Chairman
Subcommittee on Transportation and
Related Agencies

INTENT OF CONSOLIDATION PLAN

Mr. PLISSNER. Mr. Chairman, I think there may be a little confusion on this point. In November, when we testified, we spoke to the test at Bridgeport. At that time we made it clear that, when Bridgeport became operational, whether in January, February, or March, there would be no automation there.

It would simply be demonstrating consolidation, and that the crucial issue for consolidation at that time was whether the service rendered to the public would be equal or better. That was the demonstration that we hoped to make of the Bridgeport consolidation. We believe that we have sufficient data at this time to demonstrate that.

Mr. Van Vuren would like to speak about it.

Mr. VAN VUREN. That is true, and that is the point I wanted to make. I wanted to clarify that the intent of the consolidation plan at the hearing in November was to demonstrate that we can successfully consolidate a facility with current technology, not the automation area. The automation area, when it comes, is where the productivity gains are made.

When you make the consolidation as we did at Bridgeport, we learned a lot of things. We had a similar experience in 1976 with the Leesburg Station where we consolidated Washington National, Richmond, and Charlottesville into Leesburg. Those have been very, very successful. The levels of services are the same, if not better. In the case of Bridgeport, there are additional services that they never had before.

REACTION OF GENERAL AVIATION PILOTS

Senator CHILES. Are the general aviation pilots satisfied with that consolidation?

Mr. VAN VUREN. Yes, sir; they are. We did an analysis. We could only do a short analysis because of the slip of the commissioning date due to the divestiture problems that we had with AT&T, the telephone strike, and getting the lines remoted.

Senator ANDREWS. Let me follow on Senator Chiles' question with this. In addition to opening the Bridgeport Automated Flight Service Station, you closed five flight service stations last year, didn't you?

Mr. VAN VUREN. We are in the process of closing five, but we have not closed five yet, sir.

Senator ANDREWS. These were remoted to other locations or will be.

Mr. VAN VUREN. Yes, sir.

Senator ANDREWS. What has been the level of service since the remoting and, even more important, how many and what types of complaints have you received from pilots, or have you done it yet?

Mr. VAN VUREN. At Bridgeport?

Senator ANDREWS. No; at these other five flight service stations?

Mr. VAN VUREN. We have not closed those five yet. We are in the process of doing that.

Senator ANDREWS. So we don't have the experience record from those five sites that are going to be remoted. We don't have any idea of what kind of complaints the pilots have given you because you haven't done it yet. So we can't tell how the FAA would respond to those complaints because you haven't done it yet.

Mr. VAN VUREN. We did analyze it. We did go out and we did interview pilots.

Senator ANDREWS. But not under actual experience.

Mr. VAN VUREN. At Bridgeport, yes, we did. At Bridgeport, we did it after the facility was consolidated and commissioned, and that is what I am talking about.

Mr. FENELLO. Mr. Chairman, it is unfortunate that we did not complete the presentation, and we have just a few minutes more. The same concerns that you are expressing and the pilots are expressing are the same concerns that we had, and are addressing. I think that our joint mission is absolutely the same, the pursuit of safety.

Senator ANDREWS. Let's go back to the rest of the presentation.

Mr. FENELLO. Let's go back to that and it might allay some of your fears.

BRIDGEPORT CONSOLIDATION

Mr. HODGE. In this chart, we talk about the Bridgeport consolidation. What has happened and what we have done. It was commissioned on March 3. We moved the people from the Boston Flight Service Station and the Windsor Locks Flight Service Station to the new flight service station, not having the model 1 or 2, but into the new building at Bridgeport.

This is comparable to the move and consolidation of flight service stations in 1976 at Leesburg. The same level of service is being provided in that all essential services were remoted. There are some additional services and functions that are provided at Bridgeport that were not provided at Windsor Locks.

We have done a user assessment, and the user assessment is favorable. We have increased telephone lines into the Bridgeport Flight Service Station over the number of telephone lines that were available in the Boston and Windsor Locks combination.

Boston and Windsor Locks both have National Weather Service offices, and weather continues to be taken and provided by the National Weather Service.

The transition had no apparent adverse effects on safety. Quality assurance evaluations were done before and after by our quality assurance people from our Washington headquarters and by our New England region. Essential services have been maintained. There are checks and rechecks, and we are very convinced from our evaluation that essential services are at the level that they were prior to the consolidation of the facilities.

The training of our specialists in the Bridgeport facility took about 40 hours, and it was completed before the opening of the new facility.

Our conclusion is that the consolidation at the Bridgeport Flight Service Station provides an equivalent level of service to that formerly provided by both the Boston and the Windsor Locks flight service stations.

We have a detailed report that will be provided to the committee on our before and after study.

[CLERK'S NOTE: The detailed report is too lengthy to print in the record, but is available for review in the subcommittee files.]

Senator CHILES. When do you expect to go to model 1 or model 2 at Bridgeport?

Mr. HODGE. We would expect field deliveries in October. The date for Bridgeport, we can provide for the record, is in the October to the end of the year time period.

SYSTEM SAVINGS

Senator CHILES. My understanding is, Mr. Chairman, that the savings are to be made not with what you have done now, but as you go to model 1 or model 2. Is that true?

Mr. VAN VUREN. The savings are in both places, and that is the point that we are trying to make. There are the front-end savings that we can make by consolidation.

There is a lot of cost avoidance here, too, because when you start consolidating small facilities and bringing them together to make a larger one, you cut down on the number of people required to operate those, productivity goes up, and we can respond to more user demands than what we are responding to today.

Mr. PLISSNER. Senator Chiles, the problems you were citing from Ms. Blumberg's letter focus on consolidation. One was the ability to get her telephone calls through. Consolidation allows for incorporation into a single facility, personnel who now are serving, let's say, in places where they average 5,000 services a year and the national average is about 15,000 services per year.

When a facility is consolidated, even without the added advantage of automation, the person who had only 10,000 services per year before is then available to handle the overload from the lines which are overloaded as they stand today. So consolidation would have a very material effect on the ability to handle the demand.

FSS BUILDING

Mr. VAN VUREN. One of the very important things that we have learned in the Bridgeport program is that as we consolidate into the new buildings, not to be confused as an automated station yet, because the equipment is not there, but the building itself is configured with the automated consoles, the automated consoles are laid out as the specialists would be using them when the gear is in place.

What we are finding out at Bridgeport is that we can take the people in there, and they will be operating on those consoles. They will be using the current equipment which is the leased service A, and as the model 1 comes online, we can actually train in that facility.

We feel that we can save about $150,000 just in per diem and travel alone at Bridgeport because those people are on site, and it will reduce the number of training hours that will be required to do that. We already have them on site at the location.

BRIDGEPORT SURVEY

If you are interested, I have some numbers from the survey that we did at Bridgeport. We surveyed 22 airports, and 83 pilots were interviewed. Sixty-nine percent indicated that they had experienced average delays, in trying to get through during periods when the weather was down, from 5 to 20 minutes duration. This is on high activity, marginal weather days. Thirty-one percent indicated that they had little or no delay whatsoever.

They were interested in the fast file program, which we didn't have at Windsor Locks. They had it at Boston. It is now available for both flight plan areas, along with the PATWAS program, which gives them a recorded route briefing program that they can dial into on a telephone by direct access.

They now also have weather radar, colored weather radar, that they did not have at Windsor Locks.

Senator CHILES. It sounded like 69 percent said that they had some delays, and 31 percent who said that they hadn't.

Mr. VAN VUREN. That was the average.

Mr. PLISSNER. Senator Chiles, that 69 percent said that they had no worse delays than before consolidation.

Senator CHILES. No worse delays.

Mr. PLISSNER. No worse.

Mr. VAN VUREN. It is an average delay of 5 to 20 minutes as they did before during marginal weather.

Mr. HODGE. Another example of what the consolidation at Bridgeport is saving is operating positions. At Windsor Locks and Boston, we had two radio positions. At the Bridgeport facility there is only one, and that gives you another person to answer the phones. There are a lot of examples of savings in the consolidation.

In the next chart we describe the automated system. In the fully automated flight service station, we have an automatic system that provides voice switching for both radio and the telephone lines. There is also a management system involved in that switching system to keep track of the number of calls, the duration of calls, and those kinds of things.

We have a model 1 and a model 2 system providing the information to the specialist. We have a stand-alone data processing system that services several automated flight service stations.

We also have weather observation through AWOS and/or human observers, depending on the state-of-the-art and necessity at the time. We continue to monitor the navigational aid and the systems.

That is what the fully automated flight service station will look like.

Senator CHILES. I am looking at the table on page 24 in our November 1 hearing record, and it shows that the total, with the observation personnel under the manual system is at $509 million, and with the automated station it would be $165 million. So there are tremendous differences or savings if it is fully automated.

I guess what I was trying to seek was to get a test on where we ultimately think we are going on the full automation before we start embarking down this path toward consolidating stations and thinking that we are going to make this magnitude of savings, which is big dollars, approximately $400 million.

We ought to see whether that is going to work out, and I thought that this was what we were going to hear about, rather than find that we are only half-way through that test.

I have some other questions on this which I would like to submit for the record.

Senator ANDREWS. I appreciate that, Senator. I appreciate the contribution that you are making.

Senator CHILES. Senator Inouye has some questions.

Senator ANDREWS. We will put those in the record also.

I appreciate your interest. Of course, it is true for all of us on the subcommittee that we wanted some specific hands-on information.

With the $1.8 billion you have hanging out there, it is awfully tempting to say, "Hey, you got that. We can spend the $1.8 billion additional on some highways and Coast Guard things while we are waiting for those hands-on demonstrations."

We would be most interested on how you expand on the record on what you have already said in justification for the apparent lack of hands-on experience before we go ahead with this wholesale revamp.

Finally, on this subject, given the equipment delivery schedule, and the moratorium invoked by this committee, what is your current plan for facility closures and consolidations in this fiscal year and the next, if you would like to provide that for the record?

Mr. FENELLO. We can provide it for the record.

Senator ANDREWS. Why don't you provide that for the record.

Mr. FENELLO. It represents no change from the orange book which you reviewed last year.

[The information follows:]

We are prepared to initiate the consolidation activities for the 26 FSS's identified for fiscal year 1984 and the 29 scheduled for fiscal year 1985. The Bridgeport, CT, FSS was commissioned March 3, 1984. We have conducted an analysis of the services available from the facility and have found it to be equivalent or better to that available prior to the consolidation of the Boston, MA, and the Windsor Locks, CT, FSS's. Based on the current schedule, we expect to begin delivery of automation to field facilities in October 1984. Final planning for consolidation of an FSS requires 9 to 12 months before the actual relocation of personnel and services can be accomplished.

AIRWAY SCIENCE PROGRAM

Senator ANDREWS. Last year, Administrator Helms testified that strong emphasis was placed on the airway science curriculum program. This undergraduate program is necessary to provide skilled individuals for future FAA and industry needs.

What future role does FAA have in mind for this activity?

Mr. WEITHONER. To continue that program for 5 years as a part of an authorized demonstration program. That demonstration program was authorized by the Congress, and it permits us to depart in certain respects from normal civil service procedures. At the end of the 5-year period, we will be making a report to the Office of Personnel Management and to the Congress with our findings on the experiment and what we would propose for the future.

Senator ANDREWS. Can you provide, for the record, what distribution was made of the $5 million supplemental appropriation that we provided last year?

Mr. WEITHONER. Yes, sir.

[The information follows:]

A grant agreement was signed November 28, 1983, by FAA awarding $2.75 million to the University of North Dakota. Secretary Dole's February 22, 1984, letter to Chairman Andrews, Chairman Hatfield, and Chairman Lehman advised that we are in the process of developing the procedure and criteria needed to solicit proposals from minority institutions for the purchase or lease of buildings and associated facilities, instructional materials, or equipment to be used to develop, enhance, or expand an airway science curriculum which will involve disbursement of the remaining $2.25 million.

The FAA expects significant changes in the work of the organization and the need to change our work force as the national airspace system develops. The airway science program will enable us to develop a cadre of well-qualified individuals well-suited to the occupations necessary to support the airspace system of the future.

WARRANTIES

Senator ANDREWS. The Secretary testified earlier this year that any initiative requiring written warranties of contracts was worthy of consideration by the Department of Transportation. Can you tell us to what extent the FAA now negotiates warranties on major procurements?

Mr. FENELLO. At the moment, our warranty concern relates to our mission, and insistence in our requirements that when equipment goes online and is delivered, that it performs as planned.

Because of the nature of our mission, we are left in a position where we can't go back to the manufacturer and say, "Pull out all of this stuff, let's change it and make sure that it works." So we put a lot of effort on the front-end.

While I wasn't here, but a review of some past efforts shows—and it goes back quite a few years—FAA had some of these same deliberations in consideration of warranties and, they tell me, without too much success. However, in view of the current interest, we are going to revisit that concern. We do not want to place all of our reliance on warranties, but prefer to place it upfront, on having the product initially delivered so that it performs.

Unfortunately, or fortunately, we run a system which we can't put on hold pending warranty deliveries or warranty satisfaction. We believe the principle involved is a good one, except that we try to apply it rather heavy-handedly upfront to make sure that the equipment performs as planned initially.

Senator ANDREWS. Will the system engineering and integration contractor be instructed to review applying warranties to national airspace planned procurements?

Mr. FENELLO. Yes; they will. We were talking about that recently, and we consider it as one of the tasks that we could assign to them.

Senator ANDREWS. At last year's hearing, Mr. Helms and I discussed the problem some of us have in getting from downtown Washington to Dulles in a dependable timeframe. The passenger never knows whether it is going to take 35 minutes or 2 hours. With the lifting of some of the restrictions on I–66 and the opening up of the connector road, can we assure passengers of a dependable time schedule to Dulles now?

Mr. FENELLO. I would like to have Jim Wilding address that. He has been very close to the problem. I could quickly say, yes, but Jim can provide us with details.

Mr. WILDING. Yes, sir; with the opening up of the Dulles access highway extension, Dulles is now a very predictable 25 minutes from any of the Potomac River bridges.

Senator ANDREWS. Even if the traveler has a 6 p.m. flight?

Mr. WILDING. Yes, sir; again, the airport traffic enjoys an exemption to the I–66 high occupancy vehicle requirements. That coupled with the

availability of the Dulles access highway connector and, I might add, the going online on May 1 of an entirely new bus and limousine service, has made downtown Washington a good deal closer to Dulles.

Senator ANDREWS. Since you are so optimistic about the travel time to Dulles, can we now assume that the passenger traffic will gravitate naturally toward Dulles without any further lowering of the passenger cap at National?

Mr. WILDING. No, sir; I don't think that I would go quite that far.

Senator ANDREWS. In other words, you are somewhat confident, but not supremely confident.

Mr. WILDING. I really think that our activities to make greater use of Dulles, a combination of some of the controlled growth strategies at Washington National, plus certain incentives, including better ground transportation to Dulles, all of that taken together gives us some optimism for Dulles.

LANDING FEE RESTRUCTURING

Senator ANDREWS. The Grace Commission suggested, in fact, the MWA landing fees be structured to shift the traffic from National to Dulles. Is that a desirable way to move that traffic?

Mr. WILDING. It is not one that we have adopted in our strategy thus far.

Senator ANDREWS. Are you considering this recommendation as you negotiate new landing fee contracts?

Mr. WILDING. There already is an element of that in our financial structure for the two airports. There are common landing fees for the two airports. As we approach the new negotiations, some of those very same thoughts enter our minds, but frankly not to the extent that the Grace Commission recommended.

SUBMITTED QUESTIONS

Senator ANDREWS. Thank you very much.

I have some additional questions as well for the record. We have questions from Senator Hatfield for the written record, as well as Senator Kasten, Senator Warner, and Senator DeConcini.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

CHANGES TO NATIONAL AIRSPACE SYSTEM PLAN

SENATOR ANDREWS: The 1983 update of the National Airspace System Plan (NAS) contained two major changes from the previous version. What, if any, significant changes are contained in the revision recently completed by FAA?

ANSWER: The one major change to the 1984 update was the inclusion of the System Engineering and Integration Contractor. Other changes were made to update the schedules and technical approaches being followed by the NAS Plan projects to reflect a year's progress in the program and adjustments in operational requirements. The revisions were accommodated within resources required for FY-1985 and the overall estimates for the plan.

SENATOR ANDREWS: What impact, if any, do such revisions have on FY 1985 resource requirements, as well as on the total 10-year, $10 billion plan:

ANSWER: The changes did not have any impact on the FY 1985 resource requirements or the total NAS Plan requirements. Total NAS Plan requirements, still stand at $10.8 billion for the period FY 1982-1991 and $11.4 billion for the period of FY 1983-1992 and $11.7 billion for the period from FY 1982-1992.

SENATOR ANDREWS: What steps will be taken during this year and next to integrate the results of the System Engineering and Integration Contractor's initial NAS Plan assessment, due this July?

ANSWER: The results of the System Engineering and Integration Contractor's initial assessment of the NAS Plan will be available in August. They will be evaluated by the FAA, and changes required to the NAS Plan will be incorporated in the 1985 revision of the plan. Thereafter, the System Engineering and Integration Contractor will participate in the annual update of the plan.

NAS PLAN SLIPPAGES

SENATOR ANDREWS: What are you doing to avoid further delays in contract awards? What major projects/procurements slipped in FY 1983, and when will the contracts now be awarded?

ANSWER: The NAS Plan has remained essentially on schedule. Some slippages have occurred in awarding initial contracts. These resulted from additional time required for administrative processing, technical corrections to specifications, and the need to respond to requests from bidders for extensions. In all such cases, the slippages were made up without impact on the overall NAS Plan schedule.

To avoid such delays, "multiyear" contracting is being utilized to the maximum. In addition, the System Engineering and Integration contract was awarded in January 1984. This contractor will greatly facilitate keeping the NAS Plan on schedule.

Although FAA's FY 1984 budget request was reduced by $250 million, FAA has proceeded with the administrative processing of the deferred procurements for the involved programs in order to keep the NAS Plan on schedule. Request for Proposals were issued in FY 1984, and contract awards will be made in early FY 1985 to maintain NAS schedules.

SENATOR ANDREWS: Of the $549 million now estimated to be obligated in FY 1984, what portion will be from FY 1984 appropriations, and for what major procurements?

ANSWER: Of the $549 million now estimated to be obligated in FY 1984, $325 million will be from the FY 1984 appropriations. Major procurements are for Microwave Landing System (MLS), Mode-S Surveillance, Direction Finder (DF), Power Conditioning Systems (PCS), Center Weather Processor (CWP), Air/Ground Transmitters/ Receivers, Integrated Communications Switching System (ICSS), Radar Microwave Link (RML), and Nondirectional Radio Beacon (NDB).

TRANSPORTATION SYSTEMS CENTER

SENATOR ANDREWS: What has the Transportation Systems Center (TSC) done for FAA in FY-1983 and projected to do in FY-1984, especially as it relates to the NAS Plan? How much and from what appropriation have these funds been made available?

ANSWER: The FY-1983 and FY-1984 funding distribution by appropriation are as follows:

	FY-1983	FY-1984
Research, Engineering and Development	$2,054,000	$6,614,000
Facilities, Engineering and Development	170,000	-
Facilities and Equipment	2,709,000	1,991,000
Operations	26,331,000	3,005,000
TOTAL	$31,264,000	$11,610,000

Accomplishments for FY-1983 and projected for FY-1984 are as follows:

TRANSPORTATION SYSTEM CENTER

FY-83 ACCOMPLISHMENTS

* 1. Designed and implemented a micro-computer system for assessing NAS facility performance.

* 2. Operationally supported and maintained the FAA communication information system essential to the management of the FAA's leased $126 million in annual operational communications services.

* 3. Developed a plan and established requirements for the development and integration of the NAS facilities information system (e.g., maintenance management, telecommunications management, program management).

* 4. Completed Automated Weather Observation System (AWOS) sensor tests and evaluation at Eglin & Otis.

* 5. Developed Supplemental NAVAIDS integration plan for NAS.

6. Designed and developed conversion unit to interface central flow control computer with NAS computers.

7. Conducted Central Altitude Reservation Function automation testing at FAA's CARF facility.

8. Assisted FAA in formulation of Traffic Management System Program plan and identified NAS interface areas.

9. Developed criteria leading to the reclassification of "Heavy" Boeing 707 and Douglas DC-8 aircraft into the "Large" category based on vortex considerations.

10. Completed analysis of the 61 knots stall speed requirement in the development of new (e.g. Piper) aircraft.

* 11. Provided energy management assessments (e.g., long range radars, airport control towers) supporting NAS Plan.

12. Developed a plan for evaluation of advanced air navigation systems.

13. Developed a plan for assessing the application of advanced communications techniques in the National Airspace System.

14. Completed an assessment of the reliability of Global Positioning System for providing air navigation guidance.

15. Conducted a study of the costs of providing LORAN-C coverage for air navigation in the mid-continental U.S.

16. Developed statistics on international use of U.S. enroute air traffic facilities and services to meet U.S. treaty obligations with the International Civil Aviation Organiztion (ICAO).

* 17. Provided significant support in the evaluation of the host computer system proposals.

TRANSPORTATION SYSTEMS CENTER

FY-84 ACCOMPLISHMENTS - PROJECTED TO END OF FISCAL YEAR

1. Completed operational implementation of the Phase I Interfacility and Flow Control Network officially certified for operation December 31, 1983.

2. Completed development of Central Altitude Reservation Function Automation System and prepared for system relocation to FAA facility.

* 3. Prepared a preliminary specification of the Traffic Management System/Advanced Automation System Interface.

* 4. Documented industry experience with modernization programs similar to FAA's NAS Plan from the maintenance perspective.

* 5. Development of an interactive computer-based system to estimate maintenance staff requirements associated with various changes in maintenance policy, maintenance organization and NAS equipment technology and deployment.

* 6. Developed methodology to guide specification of critical maintenance and logistics items to achieve optimum life-cycle of new NAS equipment, and facilitate orderly development and reporting of maintenance planning information.

* 7. Provided significant support to the evaluation of the Advanced Automation System proposals.

* 8. Managed the development of workload tapes for the real-time checkout and testing of the design competition phase Host Computer Systems at the FAA Technical Center.

* 9. Developed criteria for the testing, measurement, and analysis of the performance and capacity of the Advanced Automation System.

10. Analyzed potential FAA alternatives under AT&T divestiture and prepared recommendations for implementation of FAA telecommunications management orders.

11. Conducted analyses to determine projected cost impact of AT&T divestiture on FAA leased communications.

* 12. Developed Final Master Plan and design for implementation of the operational NAS Facilities Information system.

* 13. Provided initial software capability for the NAS program executive management system.

* 14. Developed preliminary FAA standards for energy management.

* 15. Conducted two national workshops to investigate and resolve power-related facility reliability problems.

* 16. Developed preliminary FAA standards for implementation of power distribution cable loops, communications and signal cable loops and radio frequency links at airports.

* 17. Provided energy management assessment (e.g., long range radars, airport control towers) supporting NAS Plan.

18. Completed the development of the Aviation Safety Analysis Mark I system and demonstrated its capability in the Aviation Standards field office environments.

19. Designed an automated system to support the Regulation by Objectives and Regulation by Negotiation.

20. Developed a program for the automation and improved aviation safety information access (e.g. aircraft make/model, ownership, airworthiness) to the national aircraft registry system.

21. Supported FAA in its inspection of the Goodyear aircraft test repair station in Thailand to evaluate compliance with process specifications.

22. Developed options to be used by FAA to establish flammability guidelines for materials used in the interior of aircraft cabins.

23. Developed and initiated the implementation of a program to meet FAA operational explosives detection requirements based on advanced detection technology.

24. Supported the FAA's responsibility under the Regulatory Flexibility Act of 1980 to determine whether existing regulations impose significant economic impact on small business, individuals and non-profit organiztions pertaining to FAA certification of pilots, flight and ground instructions and flying schools.

25. Restructured the Airport Enplanement Data System and provided calculations for the official allocation of several hundred million dollars in entitlements to the primary airports under the Airport Improvement Program.

26. Provided national statistical survey data on general aviation activity and avionics equipment for non-towered airport operators.

27. Provided substantial support to major elements and the overall coordination of the FAA's Information Resources Management Plan.

The FY 1983 and FY 1984 funding distribution cited above represents actual or estimated fund transfers to the Transportation Systems Center. Accomplishments for FY 1983/FY 1984 represent work products using these and prior year financed resources.

* Relates to the NAS Plan

SENATOR ANDREWS: With the Department's proposal to defederalize the TSC who will perform these tasks for FAA? Do you see this as a problem?

ANSWER: We envision that the Transportation Systems Center will be placed in a position to meet our unique requirements by contract, agreement, or some special arrangement. If no such provisions are provided we would have to initiate standard procurements for such programs as Aviation Explosive Security, Aviation Safety Analysis, Telecommunications Support and Advanced Automation Modeling, which could introduce delays of 1 to 2 years in some very critical program areas.

SENATOR ANDREWS: What will be the disposition of the FAA funds remaining on TSC books when TSC closes down?

ANSWER: None of the alternatives now under consideration would have an adverse effect on FAA funding. Funds now programmed at TSC would continue to support the activities against which they were obligated.

SENATOR ANDREWS: If TSC were to remain in operation, what projects would FAA task them to undertake in FY-1985? What level of funding is required.

ANSWER: The FAA presently plans a level of funding of between $15,000,000 to $20,000,000 for the FY-1985 program. The type of tasks generally assigned for the Transportation Systems Center are those which they are uniquely qualified to perform in support of programs including the Advanced Automation, Advanced Traffic Management, Wake Vortex, Navigation and Landing, Telecommunications and Aviation Safety Analysis.

SENATOR ANDREWS: Are these costs (where) included in the FY-1985 justifications to be performed by outside contractors?

ANSWER: These funds were originally planned for assignment to the Transportation Systems Center. Since the President's budget assumes the closing of TSC, these costs will be contracted.

INSPECTORS

SENATOR ANDREWS: Is the FAA still carrying the 100 furloughed or retired airline pilots in temporary positions which were discussed during the FY-84 House (pg. 449) hearings? How many of these airline pilots will make up the 166? Are these employees fully qualified as carrier inspectors?

ANSWER: Those temporary positions were utilized for the employment of furloughed airline pilots and maintenance personnel possessing the required levels of experience and qualifications. A number of those furloughed personnel have successfully completed required FAA training and have demonstrated their proficiency on the job. Those have been converted to permanent inspector positions and will make up a portion of the increased inspector work force. Others are continuing to be given permanent appointments as they complete training and demonstrate their proficiency. As relatively new inspectors, these personnel will continue to work under the close supervision and tutelage of more senior and experienced inspectors. In no case will we assign these new inspectors to perform either air carrier operations inspector or air carrier maintenance inspector functions until they are fully qualified in the area of their assignment.

SENATOR ANDREWS: Are the private sector designated examiners performing air carrier inspection? Please describe their responsibilities and the level at which they augment the FAA inspector workforce.

ANSWER: FAA air carrier designated airman examiners are performing specific airmen certification tasks on selected, seasoned air carriers where a need for their services exists. FAA designated airman examiners do not perform inspection tasks for the FAA.

Presently, there are 51 flight engineers, 52 pilots and 5 dispatchers designated air carrier airman examiners.

Air carrier pilot examiners have only during this last year been designated by the FAA to perform airman certification duties in turbojet aircraft. This has been approved under the Aircrew Program Manager (APM) Program, initially tested in the Southern Region. This program is now also in use in the Northwest Mountain Region. At this time, 48 of the 52 air carrier pilot examiners are in the APM program.

SENATOR ANDREWS: What's the status of the Aviation Safety Analysis System (ASAS)? Will it provide the information you need to measure inspector performance?

ANSWER: Through extensive involvement of FAA field, regional, and headquarters personnel, a broad spectrum of user information requirements have been identified and are being subjected to proven systems engineering development processes.

Twelve comprehensive user software applications will be completed in calendar year 1984. These applications will provide enhanced information retrieval and analysis capabilities throughout the Aviation Standards community and in support of all major Aviation Standards program areas.

As of April of this year, 118 Aviation Standards field sites have received information processing equipment. All scheduled sites (162) will have received equipment by the end of this year.

ASAS training for FAA field technical personnel is scheduled to begin this summer. Five-hundred and eleven (511) FAA employees have been trained to date on the ASAS hardware and software applications.

ASAS will improve management of aviation safety programs and provide increased visibility and control for all Aviation Standards managers. Timely information about inspector activity in the areas of inspection, surveillance, certification, regulation, and registration will be available through a Work Program Management System, which will be implemented by the end of calendar year 1984. This system will provide a detailed analysis of how human resources are expended and will enable managers to plan their work program as priorities dictate. It will also provide an analysis of individual inspector activity to ensure greater efficiencies.

SENATOR ANDREWS: Please provide a table for fiscal years 1981 through 1984 reflecting the number of authorized full-time permanent air carrier and general aviation inspector positions; and FY 1981 through 1983 end-of-year employment and FY 1984 March 31, 1984, employment for the two categories of inspectors. Please describe the responsibilities and operational inspection requirements of the inspectors.

ANSWER: The authorized full-time permanent inspector positions are as follows:

	FY 1981	FY 1982	FY 1983	FY 1984
Air Carrier	674	576	569	674
General Aviation	1074	971	925	932

We do not have end-of-year employment figures by specialty for FY 1981 through FY 1983, however, total regulatory employment figures were approximately 91 percent of authorized and that would be indicative of the inspector workforce as well. As of March 31, 1984, there were 498 air carrier and 859 general aviation inspectors on board.

The major responsibilities of operations safety inspectors relate directly to the initial certification and ongoing surveillance of air carriers, commuter air carriers and air taxis.

Initial Certification Duties -

o Review and acceptance of operations and performance manuals

o Review and approval of training programs and minimum equipment lists

o Evaluate and certificate crewmembers

o Observe and approve emergency evacuation tests

o Conduct and approve enroute proving flights

o Issue certificate and operator specifications

Ongoing Surveillance Duties -

o Review and accept proposed changes to manuals

o Review and approve proposed changes to training programs

o Evaluate the day-to-day operation by conducting enroute inspections, crewmember evaluations, cabin inspections, facilities inspections, operator and airman record inspections

o Investigate complaints, incidents and accidents

o Prepare enforcement actions when violations occur

AIR CONTROLLER REVIEW

SENATOR ANDREWS: Does the Federal Aviation Administration (FAA) have an adequate reporting system to assess problems in the air traffic system?

ANSWER: The FAA has approximately 50 Quality Assurance personnel in headquarters and regional offices dedicated to monitor the air traffic control system on a day-to-day basis as well as to review a variety of reports on the system from other sources. We are, however, constantly striving to improve our monitoring and reporting system wherever possible.

For example, in CY 1983, the headquarters Quality Assurance Division completed 41 full or partial facility operational check evaluations, 2 joint evaluations with the Department of Defense (DOD), 23 followup evaluations, 49 facility management assessments, and 1,307 inflight monitor reports. In addition, 167 newly qualified controllers in 41 facilities were monitored at operating control positions to verify the quality of their performance.

During the same period, the regional Quality Assurance Personnel completed 307 full or partial facility evaluations and 4,406 inflight monitors. These efforts were further supplemented by a 4-week special quality assurance assignment conducted in each Air Route Traffic Control Center. Both headquarters and regional Quality Assurance personnel review a variety of reports including Operational Error reports, Aviation Safety reports, user comments, near midair collision reports, etc., to maintain a constant awareness of the day-to-day system status.

CONTRACTING OUT FOR TOWER SERVICES

SENATOR ANDREWS: How many towers will be open as contract towers this year? List each location and estimated cost compared to cost fund federally?

ANSWER: The FAA is expanding its contract tower program to 15 locations and all are expected to be operational by the end of the FY 1984. The following is a list of the locations and estimated cost data.

Location	Estimated Total FAA Contract Cost	*Average FAA Operating Cost for a Level I VFR ATCT
Flagstaff, AZ	$100,000	$300,000
Merced, CA	$100,000	$300,000
Topeka (Billard), KS	$100,000	$300,000
Owensboro, KY	$ 96,000 (contract)1/	$300,000
Cape Girardeau, MO	$100,000	$300,000
Farmington, NM	$106,500 (contract)1/	$300,000
New Bern, NC	$100,000	$300,000
Cleveland (Cuyahoga), OH	$212,000 (contract)2/	$300,000
Ardmore, OK	$ 38,500 (contract)1/	$300,000
Enid, OK	$100,000	$300,000
Pendleton, OR	$100,000	$300,000
Mayaguez, PR	$100,000	$300,000
North Myrtle Beach, SC	$100,000	$300,000
Laredo, TX	$100,000	$300,000
Lewisburg, WV	$100,000	$300,000

1/ Contract cost only includes air traffic control services.

2/ Contract cost includes the air traffic control services and maintenance for the facility plus FAA continuing cost for leased communications and utilities.

* FAA operating costs include air traffic, maintenance and utilities cost.

SENATOR ANDREWS: How many contract towers are assumed in the budget for FY 1985? How many of these towers are currently closed?

ANSWER: The FY 1985 Budget plans for the contract operation of 45 low activity VFR control towers. These 45 locations include the 15 towers in the FY 1984 contract tower program, and 12 of these 15 towers are currently closed temporarily (as of 4/3/84). No decision has been made on the remaining 30 sites planned for a contract operation.

SENATOR ANDREWS: Why does the budget (page 38) request $2.25 million in FY 1985 for phase-in cost to defederalize 45 towers?

ANSWER: We expect 15 towers to be contracted out for all 12 months of FY 1985. Using an estimated cost of $100,000 per tower, the cost will be $1.5 million. The remaining $750,000 will allow an average of three months funding for each of the remaining 30 towers to be contracted out.

SENATOR ANDREWS: Provide a status on each tower listed in the Committee's November 18 letter. When will each be open?

ANSWER: The following is the status of the control towers listed in the Committee's November 18 letter.

Greenville, MS - the tower was reopened on April 2, 1984, and is operating from 0700-1900 daily.

Flagstaff, AZ - the Western-Pacific Region is working with the Flagstaff airport and city officials on the contractual arrangements and statement-of-work. The target date for reopening the facility as a contract tower is July 1984.

Cape Girardeau, MO - the Central Region is working with the Cape Girardeau airport and city officials on the contractual arrangements and statement-of-work. The target date for reopening the facility as a contract tower is September 1984.

Lewisburg, WV - the FAA will provide temporary control tower service 10 hours a day, 7 days a week effective April 15, 1984. This service will be continued until contract arrangements are completed with the sponsor.

Pendleton, OR - the Northwest Mountain Region is working with the Pendleton airport and city officials on the contractual arrangements and statement-of-work. The target date for reopening the facility as a contract tower is August 1984.

SERVICE CONTRACT ACT

SENATOR ANDREWS: When is the Labor Department asked to provide wage determinations under the Service Contract Act?

ANSWER: FAA must request the Department of Labor to provide wage determination each time the FAA proposes to enter into a service contract in excess of $2,500 which is subject to the Act. This request is submitted to the Department of Labor in accordance with the provisions of the Department of Labor Regulations (29 CFR Section 4.4), generally sixty days in advance of the procurement action.

SENATOR ANDREWS: Does the Federal Aviation Administration (FAA) or the Labor Department waive the requirement of a wage determination for contracts that are bid with 5 employees or less?

ANSWER: The FAA has no authority to decide whether a wage determination should be made for contracts in excess of $2,500 which are subject to the Service Contract Act. Under the Act, the Department of Labor must provide a minimum wage determination if more than five service employees are to be employed on the contract, and may, but is not required to, provide a wage determination if five or fewer service employees are to be employed. Regardless of the number of service employees involved, and whether or not a wage determination is furnished, the Act prohibits payment of less than the Fair Labor Standards Act minimum wage (presently $3.35 per hour). To date, in every case where five or fewer employees are to be employed, the Department of Labor has chosen not to issue a wage determination for air traffic controllers.

SENATOR ANDREWS: Is FAA policy on application of the Service Contract Act being followed uniformly in all the regions and on all the bids received?

ANSWER: Yes, it is.

SENATOR ANDREWS: The Committee is concerned that "lumping" of contracts has occurred, whereby service contract proposals for air traffic specialists were aggregated with proposals for support and maintenance services. The effect of this lumping was that a total flight service station contract proposal would contain more than five persons. This total proposal would then be subject to a Labor Department wage determination. Aren't separate service contract proposals supposed to be treated separately and not aggregated? What recourse does an applicant or FAA have if a wage determination has already been made by the Labor Department because of aggregating separate proposals? If an applicant wishes to appeal a determination, do they contact FAA or go directly to the Labor Department?

ANSWER: In situations where the number of air traffic controllers will be five or fewer but the total number of service employees will be more than five, it is FAA policy to award two contracts, one for air traffic control services and the other for maintenance, janitorial work, etc. Under this policy, which has been in effect since March 23, 1984, two wage determination requests are submitted to the Department of Labor by letter, explaining that two contracts are to be awarded at approximately the same time for different work to be accomplished simultaneously at the same location. Thus, the Department of Labor has full information and latitude to decide whether a wage determination should be furnished for either or both of the contracts.

From the above it can be seen that there is no improper aggregation of contract work, but instead, that the FAA policy requires a separation of air traffic control work from the other work where to do so would allow the Labor Department the discretion to not issue a wage determination. With regard to an applicant's recourse if a wage determination were issued based on an aggregate of requirements for air traffic control work and other work, the applicant should request FAA to reconsider its decision if the contract is not yet awarded. If the contract has been awarded, we do not believe the applicant would have any recourse. An appeal of the wage determination under these circumstances should be addressed to FAA, since the decision to separate or not separate air traffic control work is the FAA's decision.

FLIGHT SERVICE STATION MODERNIZATION

SENATOR ANDREWS: Is there any change to the late 1985 timetable for nation-wide operational capacity of this "Model 1" system?

ANSWER: Deliveries of Model 1 equpment to operational locations will begin in October 1984 and be completed by April 1986. It will take from four to six months after delivery for the system to become operational to allow adequate time for system shakedown, operational familiarization, etc. Therefore, approximately 27 of the 37 Model 1 systems will be operational by the end of Calendar Year 1985.

AUTOMATED FLIGHT SERVICE STATION (AFSS) EQUIPMENT

SENATOR ANDREWS: At our November 1983 consolidation plan hearing, FAA testified that "Lease Service A" was to be leased to bridge the GAP until the automated system is available. How many automated sites either have, or are scheduled to get Western Union "Lease Service A"?

ANSWER: Four FSS's are presently occupying space that will serve as future automated flight service stations. These four FSS's use Western Union equipment. Based on current implementation planing two additional FSS's will become operational late this year using the same equipment. FAA began to install Western Union systems in FSS's in October 1979. It has been in use in 150 FSS's since then.

SENATOR ANDREWS: What is the total cost for this lease program?

ANSWER: The annual cost for the Leased Service A system operating in 150 FSS'S is approximately $6 million.

SENATOR ANDREWS: How many Model 1's will be fully operational nation-wide by the end of FY-1985?

ANSWER: Based on field deliveries starting in October 1984 and allowing four to six months after delivery for systems to become operational, approximately 16 Model 1 systems will be operational by the end of FY-1985.

SENATOR ANDREWS: What capabilities does "Lease Service A" have which represents improvement over manual operations at Flight Service Stations now?

ANSWER: The "Leased Service A" System was acquired as an interim means to improve an antiquated low speed weather teletypewriter system in 150 FSS's. Improvements provided by the "Leased Service A" System include:

a. Increased data transmission speed (2400 vice 100 words per minute).
b. Cathode ray tube and keyboard.
c. Increased number of weather reports.
d. Display of information in predetermined groups.

SENATOR ANDREWS: What improved capabilities does Model 1 equipment have beyond "Lease Service A"?

ANSWER: The difference between Leased Service A (SAS) and the Model 1 system are considerable. Basically SAS provides an alpha numeric display of weather information. The Model 1 system provides all of the SAS features plus extensive weather data processing and flight planning capability. Specifically, Model 1 provides for flight plan input and automatic message handling, prestored flight plans, hazardous weather alerts, and route oriented and area briefings. These capabilities provide a higher quality and more comprehensive briefing to the pilot. In addition, Model 1 also provides for event reconstruction, activity recording and automatic reconfiguration in case of equipment failure.

SENATOR ANDREWS: Is "Lease Service A" currently operational at the Bridgeport Facility? What problems, if any, were experienced by FAA personnel and/or FSS users as a result of transition to "Lease Service A"?

ANSWER: "Leased Service A" is currently operational at Bridgeport FSS. This is the same equipment that was in use at Windsor Locks and Boston FSS's prior to consolidation. No problems were experienced by specialists or users due to the use of this equipment.

BRIDGEPORT FACILITY

SENATOR ANDREWS: What specific evidence can be provided at this point that the remoting of Flight Service Station personnel and equipment can be accomplished smoothly and without interruption to users?

ANSWER: The remoting of flight service station personnel and equipment can be accomplished smoothly and without interruption to users. Specific evidence has been gathered from our experience with Bridgeport, Connecticut, FSS to support a smooth consolidation without interruption to users. The FSS at Bridgeport opened on March 3, 1984, at 4 a.m. concurrent with the closing of Boston and Windsor Locks FSS's. This transition was transparent to pilots. They continued to call the flight service station and received weather and aeronautical information as they had in the past. A study was conducted by the Federal Aviation Administration which verified equal or better service.

SENATOR ANDREWS: What specific evidence is there that the interim Western Union "Lease Service A" computer capability provides equal or better service for users, as required by statute?

ANSWER: The FAA began to install the "Leased Service A" system in 150 FSS's in October 1979. It has been in use successfully for almost 5 years. The Western Union "Leased Service A" system provides at least equal service to users, as required by statute. This is the exact system that was in use at Boston and Windsor Locks FSS's before consolidation. Specific evidence is provided by the FAA Bridgeport before and after study.

FACILITY RATING

SENATOR ANDREWS: Last November FAA testified that a maximum of 80 hours of training would be afforded each specialist at Automated Flight Service Stations. How many specialists from Boston and Windsor Locks undertook this self-study program? What is the average number of hours they found necessary?

ANSWER: The training set forth in the national guidelines includes a maximum of 80 hours on-site facility/postion familiarization. This training is not self study. It is actual position training given to assure that specialists are able to perform their duties in the new facility. This training is in addition to the area knowledge training which is partially self-study. A maximum of 80 hours is allowed for area knowledge training, with an additional 40 hours allowed for study for the facility rating examination. This training is required of all specialists transferring from one facility to another as well as new hires. Each specialist transferring from Boston and Windsor Locks accomplished the majority of this training prior to the opening of Bridgeport. Since the specialists from both facilities were already familiar with the flight plan area and most had been certified on all equipment they would be using at Bridgeport, the training required was well below the maximum allowed.

Specialists who were facility rated (those qualified to perform all facility duties) at the Boston and Windsor Locks FSS's required an average of 44 training hours to become facility rated at the Bridgeport FSS. Hands-on, classroom, and self-study methods were used to accomplish this training.

SENATOR ANDREWS: How many were then tested? How many received passing marks?

ANSWER: All first line supervisors, 26 full performance level specialists and 6 GS-9 developmentals transferring to Bridgeport, who were previously facility rated at Boston or Windsor Locks, completed the training and took the required examinations. All received passing marks. The 22 developmentals from both facilities who were not facility rated prior to the consolidation, continued their training at Bridgeport in accordance with existing training and certification procedures.

SENATOR ANDREWS: Compare the current requirement that FSS specialists be familiar with the characteristics of the flight service area in a 400-mile radius of the FSS facililty with new requirements of flight plan areas surrounding Automated Flight Service Stations.

ANSWER: The area knowledge requirements for FSS specialists in the Automated Flight Service Stations (AFSS') have been expanded to include detailed knowledge of the larger flight plan area in addition to a general knowledge of the flight service area. These requirements are set forth in the national guidelines for effecting the transition. In addition to these requirements, the knowledge required by specialists prior to assuming pilot briefing duties was expanded in August 1983 to include: (1) General location of weather causing systems and general weather conditions for the entire contiguous United States, and/or other briefing areas as appropriate; e.g., Alaska, Hawaii, Mexico, Canada, Puerto Rico, etc.; (2) Detailed information of current and forecast weather conditions within your flight service area; and (3) Other pertinent items such as NOTAM's, MTR/MOA activity, etc.

The specialists at AFSS's will actually have a level of knowledge which is broader than was required previously.

SENATOR ANDREWS: It is still a requirement that specialists have "landmark orientation" familiarity for the first 100 mile radius? Should that be expanded given the layer coverage of automated flight service stations?

ANSWER: The requirement for specialists to have "landmark orientation" familiarity for the first 100-mile radius of the flight service area was deleted in August 1983 in anticipation of the larger flight plan areas which will exist as facilities are consolidated into the AFSS's. The requirements set forth in the national guidelines have been expanded to require that the area knowledge and facility rating examinations included topographical knowledge for the entire flight plan area regardless of geographical size. It should be noted that due to the increased availability of direction finding equipment (DF) and radar navigational aids (e.g., VOR's), the primary orientation methods, orientation by landmarks is rarely required. Even when it is, specialists do not rely on their memories, but are required to use orientation plotting boards. Each plotting board contains a sectional aeronautical chart which depicts detailed information on landmarks and topography.

FLIGHT SERVICE STATION MODERNIZATION-BUDGET REQUEST

SENATOR ANDREWS: Last fiscal year, FAA's Flight Service Station Modernization budget request was $71.2 million. The level has now been reduced to $36.3 million, with $65.9 million for FY 1985. Why did you reduce the FY 1984 program level? Does the FY 1985 request assume implementation of the October 1983 consolidation plan?

ANSWER: The FY 1984 program level for FSS automation was reduced by $35 million in compliance with the $250 million reduction imposed by Congress. The FAA was able to reduce the request due to the restrictions placed on us by Congress not to consolidate FSS's. The FY 1984 funds were not eliminated, only deferred to later years. The consolidation portion of the FY 1985 request is based on the implementation of the October 1983 consolidation plan.

SENATOR ANDREWS: Explain what is meant (on page 154 of the justification) by the following: "The software design of Model 1 has exceeded expectations, and an alternative approach--now appears very advantageous."

ANSWER: Original plans required the development of entirely different software designs for the Model 1 and Model 2 systems. This was due to the fact that Model 1 was intended to provide a limited automation capability and the software was considered to be throwaway. However, after a review of the completed Model 1 design, it was determined that the design met many of the requirements of the Model 2 system. Therefore, it may be possible to utilize a large portion of the Model 1 software in the Model 2 system thereby reducing the risk in the development of Model 2 software.

SENATOR ANDREWS: How much of the $36.3 million (FY 1984) and $65.9 million (FY 1985) will go for lease service A remoting activities? How much for Model 1 equipment? How much is for specialist training?

ANSWER: The leasing of the Western Union Service A equipment and the training of specialists is funded out of the FAA Operations appropriation. Therefore, none of the FY 1984 nor the FY 1985 Facilities and Equipment funding is for these items. Funding for the Model 1 equipment and software development was provided in FY 1982 and prior year's appropriations. The contracts awarded in September of 1981 provided for the procurement of all Model 1 systems.

SENATOR ANDREWS: Why does FAA request $13.4 million for AFSS buildings when sites selected are to be at lowest possible cost to the Government.

ANSWER: The $13.4 million for AFSS buildings will be used for preparation of the new buildings, the purchase of engine generators and other nonautomation equipment necessary to establish the new facility. Also, it provides for the procurement and installation of consoles and other furnishings for the buildings. These costs have no bearing on the site selection and are independent of the actual building locations.

AIRWAY SCIENCE CURRICULUM

SENATOR ANDREWS: Would it be appropriate for the universities with approved airway science curriculi to "team up" with historically black and minority universities to expand the availability of the program?

ANSWER: Certainly there is no prohibition against universities with approved airway science curriculi "teaming up" with minority universities to expand the availability of this program. Having a 4-year degree from an approved university is the primary method of qualifying for Airway Science positions; however, other training, education, or experience may be substituted provided the applicant can demonstrate equivalency of the skills, knowledges, ability and other characteristics provided thorough completion of the airway science curriculum.

SENATOR ANDREWS: Has the FAA developed guidelines for the distribution of current and future funds? Do such guidelines include a university's ability to cost-share with the Federal government?

ANSWER: We are in the process of developing guidelines for the distribution of current funds in the most equitable manner. Cost sharing is one factor under consideration. We are not considering guidelines for future funding. In her letter of February 22, 1984, to you, Chairman Hatfield, and Chairman Lehman, Secretary Dole advised that we see no need for additional funds to make further grants to educational institutions because the two grants now in process will adequately demonstrate the Government's interest in, and support of, improved education in aviation. We now have approved curricula in 21 colleges and universities and 14 more proposals are under review.

SENATOR ANDREWS: Provide for the record what distribution was made of the $5 million supplemental appropriation provided last year.

ANSWER: A grant agreement was signed by the FAA on November 28, 1983, awarding $2.75 million to the University of North Dakota. As indicated in Secretary Dole's letter of February 22, 1984, to you, Chairman Hatfield, and Chairman Lehman, we are in the process of developing the procedure and criteria needed to solicit proposals from minority institutions for the purchase or lease of buildings and associated facilities, instructional materials, or equipment to be used to develop, enhance, or expand an airway science curriculum which will involve disbursement of the remaining $2.25 million.

WARRANTIES

SENATOR ANDREWS: How frequently does FAA currently indemnify contractors from liability? If major contractors are so indemnified, why not extract a warranty to ensure contract compliance?

ANSWER: Indemnification will be proposed for a program when FAA believes that such liability coverage is necessary to increase the competitive base to an acceptable level. Only the Secretary of Transportation can approve such coverage. Former Secretary Drew Lewis approved indemnification provisions to be used in the Host and Advanced Automation Systems procurements. A production contractor has not yet been selected for the Host procurement; nor have system development contractors been selected for the Advance Automation Systems procurements. Prior to awarding any production contract in conjunction with either program, we intend to fully review the question of whether systems warranties should be required. As we've stated earlier the Systems Engineering and Integration (SEI) contractor will assist us in this effort.

CARRIER FITNESS

SENATOR ANDREWS: The Department is proposing to eliminate domestic carrier fitness determinations after CAB sunset. How will FAA's safety fitness determination be broadened to cover financial fitness?

ANSWER: The FAA does not believe that a financial fitness determination is necessary nor do such determinations now being made by the CAB affect our safety determinations.

SENATOR ANDREWS: How many staff in the FAA now conduct safety fitness determinations? Will these same people perform some measure of financial fitness determinations, or will it be necessary to increase resources in this area, if so, by what levels?

ANSWER: The FAA has approximately 1,600 aviation safety inspectors who conduct various safety inspections and surveillance of air carriers. These same people do not perform financial fitness determinations. Therefore, it will not be necessary to increase resources in this area to measure financial fitness.

NOISE COMPLIANCE

SENATOR ANDREWS: What is the Department's position on exemptions for noncompliant aircraft? How many exemptions have been requested so far?

ANSWER: We intend to enforce aggressively the aircraft noise compliance regulation (14 CFR 91.301 et seq.), which requires that large (over 75,000 pounds) civil turbojet airplanes meet at least the Stage 2 noise standards of 14 CFR 36 in order to operate into and out of U. S. airports on and after January 1, 1985. At this time, we have 35 petitions for exemption from this regulation under consideration, all received during the period from March 30 through April 3, 1984. We have previously received six such petitions. We have denied five of those, and one is still being considered.

NATIONAL AIRPORT

SENATOR ANDREWS: What steps is FAA undertaking to improve the safety of the Rosslyn, Virginia, approach to National Airport? In particular what analysis is being conducted of the Minimum Safe Altitude Warning (MSAW) system adequacy in recent incidents?

ANSWER: The following are safety improvements for the Rosslyn, Virginia, approach to National Airport.

. We have provided information to aviation and community organizations.

. We have provided additional information to pilots with added focus on safety.

. We are pursuing pilot compliance.

. We are improving existing electronic navigational aids and flight procedures.

. We are developing a completely new flight procedure and installing new electronic navigational aids.

. We are providing a new lead-in-light system and will review obstruction lighting in the entire Rosslyn area.

. We plan to work with all local zoning and planning groups concerning future construction.

The program related to the southbound approaches involves the reliability of the FAA radar, in particular, the Minimum Safe Altitude Warning (MSAW) system. This device is designed to alert the controller to a potentially unsafe condition by sounding an alarm and presenting a visual alert. In the wake of questions raised as to the reliability of this system at National, this equipment was examined and flight tests were conducted to ascertain that the equipment performed as intended. These reviews have uncovered no evidence of problems with the altitude warning systems. Moreover, discussions with FAA electronic engineers have not revealed any unusual performance characteristics. However, we will continue to monitor the system to ensure its performance and to determine if there are any areas where the system can be improved.

As provided for in the FAA Handbook 7110.65C, Air Traffic Control, paragraph 33, Safety Advisory, safety advisories are issued based on the controller's judgment. If an alert is received from the computer which indicates a possible low altitude situation for an aircraft, a controller may visually observe the aircraft's position, its rate of descent and/or altitude and elect through his judgment not to issue an advisory.

The controller's decision to issue or not to issue an alert is based on actual position of an aircraft as visually observed, especially with reference to obstacles. The decision is not predicated on the computer's extrapolation process, but rather the dynamic expertise of an experienced air traffic controller.

SENATOR ANDREWS: What NTSB recommendations are still pending with FAA, and why?

ANSWER: The Department of Transportation, through the FAA, has responded to all of the Board's recommendations. These recommendations have involved extensive planning and upgrading of the approaches to Runway 18 at Washington National Airport. The FAA has kept the Board advised of our extensive programs (letters dated July 5 and December 21, 1983) and plans to upgrade existing facilities at Washington National Airport from vacuum tube type technology, to solid-state equipment, and to establish a new Localizer-Type Directional Aid Standard Instrument Approach Procedure to Runway 18. This approach procedure will be coinci-

dent with, but not replace, the existing VOR/DME Runway 18 approach course. This program will be completed and the approach procedure operational before mid-August 1984. In addition, on March 15, 1984, the FAA put into being a visual descent point in conjunction with the VOR/DME RWY 18 Standard Instrument Approach Procedure. That action will require aircraft flying the VOR/DME approach to maintain an altitude no lower than 720 feet (above mean sea level) up to a point approximately 2.2 nautical miles from the approach end of Runway 18 (or approximately 0.4 nautical miles inbound of the USA Today Building).

Beyond these actions, the FAA is also evaluating the feasibility of installing lead-in-lights at selected bridges spanning the Potomac River. We hope this effort results in an additional enhancement to the current approaches to Runway 18 at Washington National Airport.

Further, the FAA has notified all its regional Flight Standards managers to notify all flightcrews operating in and out of Washington National Airport to be alert to the above mentioned changes.

AIRCRAFT FUELING

SENATOR ANDREWS: Each year lives are lost because aircraft are not properly fueled. We understand that the FAA is undertaking a review of the regulations covering aircraft fueling. What is the status of new regulations in this area?

ANSWER: There is no specific regulation concerning aircraft fueling on airports. However, Part 139 of the Federal Aviation Regulations which applies only to air carrier airports includes, among other safety requirements, a provision for the safe handling and storage of fuel on airports. The FAA is preparing a Notice of Proposed Rulemaking (NPRM) to amend FAR Part 139. All comments received through this process will be carefully reviewed and considered. It is not intended to relieve fueling agents of their basic responsibility for conducting safe fueling operations. This NPRM should be published in the Federal Register in August or early September of 1984.

SENATOR ANDREWS: Are you considering making airport operators responsible for aircraft fueling? If so, isn't this approach inconsistent with other safety regulations which hold airport operators liable only when they are the operative agent, such as cargo agents for hazardous materials?

ANSWER: Under current provisions of Part 139 of the Federal Aviation Regulations (FAR), airport operators or their tenants must have sufficient trained personnel and procedures for safely storing, dispensing, and otherwise handling fuel, lubricants, and oxygen on the airport. A Notice of Proposed Rulemaking (NPRM) is planned to be issued in August or early September. All views expressed concerning the proposed revision, including fueling, will be carefully reviewed and considered.

SENATOR ANDREWS: Why do you think airport operators, as a rule, would be qualified to oversee fueling operations?

ANSWER: The FAA does not expect, nor does it require, the airport operator to become a technical expert in aviation fuels. The FAA has issued an advisory circular containing guidance from a variety of sources which is tailored for aircraft fueling operations. Additionally, the FAA has developed minimum standards for fueling to be included in the advisory circular. These standards

have been distributed to airport industry organizations for review and comment. This guidance will afford the airport community the opportunity to acquire a basic understanding of safe fueling procedures.

SENATOR ANDREWS: Will your regulations on fueling apply to all airports, or just commercial service airports? Shouldn't the rules be applied consistently, since fueling accidents can happen to any size craft.

ANSWER: The FA Act was amended in 1970 to provide for the certification of air carrier airports and for the establishment of minimum safety standards in administering the certification program. The Act did not authorize certification of other airports, therefore, the regulation (FAR Part 139) was limited to air carriers. However, the FAA is very much concerned about safe operations at all airports. Although there is no formal statutory provision specifically addressing the certification of non-air carrier airports, we nevertheless provide guidance that is applicable to all airports, conduct seminars, and periodically conduct site visits in the interest of safety.

MEDICAL EQUIPMENT

SENATOR ANDREWS: What is the status of any petitions for rulemaking to require air carriers to carry medical supplies? In particular, what is the status of Bargmann et al v. Helms, (No. 82-1801). Provide for the record the names of carriers surveyed last year which train employees in CPR.

ANSWER: The United States Court of Appeals for the District of Columbia, in review of Bargmann et al v. Helms (No. 82-1801) August 23, 1983, held that the FAA has the statutory authority to proceed with rulemaking on the requirement for air carriers to provide emergency medical equipment on commercial flights, should it be deemed that such action is advisable on the merits. Because of this decision, the FAA is currently reconsidering the Aviation Consumer Action Project (ACAP) petition dated March 3, 1981, on this subject.

In a 1983 member survey by the Air Transport Association, that included the subject of first-aid training for crewmembers, of the 23 air carriers responding, the following train flight attendants in cardiopulmonary resuscitation (CPR):

Air California
Air Canada
Air Florida
Continental Airlines
Delta Airlines
Eastern Airlines
Flying Tiger
Frontier Airlines
Midway Airlines
Northwest Airlines
Ozark Airlines
Piedmont Airlines
Pacific Southwest Airlines
Republic Airlines
Trans-World Airlines
United Airlines
U.S. Air
Western Airlines
Wien Air Alaska

DRUG USE BY AIR TRAFFIC CONTROLLERS

SENATOR ANDREWS: What is the extent of drug use by FAA Air Traffic Controllers?

ANSWER: Surveys of FAA management and of a so-called "diagonal slice" of journeymen controlling traffic has revealed only one incident of on-duty failure in job performance which was found to be caused by use of cocaine the day before reporting for duty. In that case, the abuser claimed he had been given the drug without his knowing its composition. Nonetheless, he was immediately removed from duty, subjected to medical evaluations which proved the nature of his substance abuse, and, after due concern for all his rights, was dismissed from the service. His dismissal was upheld by the Merit Systems Protection Board. Other widely publicized incidents of drug-related arrests and dismissals of FAA Air Traffic Controllers have involved persons who were apprehended in the transport and marketing of illegal substances by law enforcement agents and did not involve use of illegal substances in connection with on-duty status. This answer does not address the use of illegal substances for recreational purposes not in connection with on-duty status. The agency has signed a contract with a consortium of consultants who will initiate this year a project which will provide data quantifying the amount of recreational use of illegal substances by FAA personnel involved in the safety of personnel or property.

SENATOR ANDREWS: Have you instituted any plans for controller testing to establish a statistical base for further FAA action?

ANSWER: This has been answered in response to the previous question. In addition, the agency has developed various strategies which will be applied depending on the interpretation placed by management on the results of the statistical evaluation of FAA personnel involved in the safety of personnel and property.

SENATOR ANDREWS: How many FAA regions have a full-time staff assigned to assess and deal with substance abuse by controllers?

ANSWER: None of the FAA regions have a full-time staff assigned the task of assessment and handling of air traffic controller substance abuse problems. The FAA does have an established Employee Assistance Program under the auspices and direction of the Office of Personnel and Training which is a voluntary program designed to provide assistance to employees and their families who have drug/alcohol abuse problems. The Northwest Mountain Region does have one employee assigned to exclusively deal with these type problems. Every FAA region has a medical staff that provides advice and assistance on such matters.

SENATOR ANDREWS: What amount of training is conducted for supervisors to recognize substance abuse in controllers? Do you feel more resources directed at this type of training could provide an increased margin of safety?

ANSWER: At the FAA's Management Training School (MTS), all first-line supervisors are given two 3-week courses whose curricula spend much time on training the supervisors to identify and assist in the resolution of a variety of problems creating performance deficiencies among the personnel under their supervision. Among the items receiving attention is the matter of substance abuse, whether that substance be a legal drug such as alcohol or nicotine or an illegal substance such as "angel dust"

(PCP) or marijuana. In addition, since 1972 the FAA has conducted agencywide training programs for supervisors that are designed to assist them in detecting evidence of substance abuse among employees under their supervision. In the Eastern Region, Father John McVernon, a priest from New York City with great familiarity with the substance abuse scene, has traveled throughout the region and also to Washington Headquarters conducting seminars on the issue of substance abuse and how to detect it among FAA employees. A wealth of printed materials has been obtained from other health-related and enforcement-related agencies of the Federal Government as well as from state agencies and from industry and private foundations which has been made available to supervisors at the facility level. Father McVernon's seminars and addresses have been video taped and sent to facilities where he did not make a personal appearance.

MICROWAVE LANDING SYSTEM

SENATOR ANDREWS: Last year the Administrator testified that the Microwave Landing System (MLS) installation would take place for 13 systems in fiscal year 1985, 50-60 in the second year and a 100 per year level after that. The FY-1985 cost was projected to be $82.7 million. The actual request is now $42.6 million. What has changed, the procurement or installation plan? When was the MLS contract let? What is the current procurement and installation plan through completion?

ANSWER: The cost reduction has been achieved as a result of the MLS contract having been awarded and firm contract prices becoming available. Prior to contract award, costs could only be conservatively estimated, lacking the production procurement experience. Costs can now be projected much more accurately. In addition, during the earlier cost projection process, so as not to underestimate the cost of the program, it was assumed that fully redundant systems would be required to achieve the reliability and maintainability requirements for the 1980's Maintenance Plan. However, technological advances permit limited redundancy to achieve these requirements with the subsequent reductions in hardware costs. The MLS contract was awarded on January 12, 1984. The current procurement and installation schedule is as follows:

1st procurement (FY-1982-FY-1986) - 208 systems
The installation schedule is still consistent with that described by the Administrator last year, with the first system installed in early 1986.
2nd procurement (FY-1987-FY-1991) - 500 systems
3rd procurement (FY-1992-FY-1997) - 542 systems

In response to user concerns regarding the gap in availability of precision landing systems during the ILS to MLS transition period, FAA is currently looking into ways to minimize this period including accelerating the procurement and installation schedules shown above.

SENATOR ANDREWS: Is FAA continuing to review the need to install MLS nationally at 1,255 sites, instead of selective installation?

ANSWER: FAA is constantly reviewing its plan to assure we are meeting the needs of the National Airspace System (NAS). Our policy on MLS has not changed. The MLS has been adopted as the new international standard precision landing system to replace ILS over a 20-year period. In accordance with a transition plan which

was coordinated with the aviation community, FAA plans to supplement, then replace all ILS's in the NAS with MLS as well as other eligible locations which presently do not have a precision approach system.

SENATOR ANDREWS: Has the International Civil Aviation Organization completed the MLS/PDME (Precision Distance Measuring Equipment) ratification process? If not, when will this occur?

ANSWER: The International Civil Aviation Organization (ICAO) has not completed the MLS/PDME ratification process. The angle/data standards and recommended practices (SARPS) was ratified and incorporated into ICAO Annex 10 in December 1982. The DME/P SARPS was approved by ICAO at the panel level in December 1982. Ratification is in process by State letter coordination. Following approval by the member States, the DME/P standard will be incorporated in ICAO Annex 10. This is expected to take place in 1985.

NAS PLAN-SAFETY

SENATOR ANDREWS: Last year Administrator Helms could not quantify the safety benefits of the NAS Plan. Since that is the FAA's primary mission, has anyone attempted to associate a safety factor with the total plan? When components are considered, isn't safety one of the factors considered?

ANSWER: Continued improvement in safety of the Air Traffic System is a dominant and pervasive objective of the NAS Plan. The affect on safety is obviously an important factor in all of the design and implementation decisions for system components. It is because the concern for safety is so pervasive and the potential benefits so difficult to define that the safety benefits of the NAS Plan have not been quantified.

MLS TRANSITION

SENATOR ANDREWS: What interim steps has the FAA considered to bridge the limitation between now and when MLS systems will be deployed?

ANSWER: FAA is well aware of the gap that exists between now and when new precision landing systems can be implemented at newly qualified locations and we are looking into ways to minimize this period.

SENATOR ANDREWS: Is it possible to ease the burden of equipping the air carrier and general aviation with new avionics equipment?

ANSWER: Certainly. We believe the market place will provide the necessary relief of providing low-cost avionics equipment. A 20-year transition to MLS was selected because it accomplished the program in the most undisruptive way. It allows people who have recently invested in ILS avionics to get use out of their investment before installing MLS avionics, and it allows manufacturers to provide avionics for an ever-expanding market. The results of a design effort with a general aviation avionics manufacturer and supporting cost studies indicate that the least sophisticated avionics should ultimately be available at an installed price of approximately $2,000.

SENATOR ANDREWS: Under what circumstances would it be feasible to cost-share site preparation work for new Instrument Landing Systems (ILS)?

ANSWER: Prior to FY-1980, site preparation for ILS's was funded from the Airport Development Aid Program now known as the Airport Improvement Program (AIP). Beginning in FY-1980, costs for ILS site preparation were funded from the Facilities and Equipment appropriations. This is the current method of funding site preparation costs. ILS site preparation costs which are strictly related to terrain modifications required to enable an ILS to provide an acceptable signal-in-space should not be confused with those costs associated with airport and or runway improvement projects required to satisfy the criteria for obstacle clearance, primary approach surface preparation, and other similar requirements which are the responsibility of the airport sponsor and which are eligible for AIP funding. AIP funding is a cost-sharing program of federal funds versus local funds at a 90:10 ratio. One of the significant features of the new MLS system is that it will require minimal site preparation.

SENATOR ANDREWS: Will FAA undertake to install ILS's where there is a safety issue. Airport growth or new runway construction?

ANSWER: In all three cases we would consider installing a precision approach system.

REHOST COMPUTER SYSTEM IMPLEMENTATION

SENATOR ANDREWS: Rehost computer design demonstration contract awards had been scheduled for July 1983. IBM and Sperry were selected in late September. Will Technical Center demonstrations be conducted this summer as scheduled? What is the current schedule for award of the production contract (had been mid-1985)?

ANSWER: Design Competition Phase contracts for the Host Computer System were awarded to IBM and Sperry on September 22, 1983. Test and evaluation of the competing Host Computer Systems will occur at the FAA Technical Center starting in late October and will continue through January, 1985. Award of the Acquisition Phase (production) contract is currently scheduled for June, 1985.

SENATOR ANDREWS: Computer replacements were scheduled for 1986, according to last year's testimony. This timetable was predicated on Houston and Denver centers capacity limits by the end of 1986 and Miami's the following year. What is the current implementation schedule for the rehost computer and how does this tie to capacity projections at the busiest centers?

ANSWER: The FAA has scheduled the operational readiness of the Host Computer System at Houston ARTCC for December, 1986, at Denver ARTCC for January, 1987, and at Miami ARTCC for October, 1987. All twenty of the Host Computer Systems are scheduled to be operational before the end of 1987. Implementation of the Host Computer System on this schedule coupled with the FAA's continuing, diligent sustaining engineering efforts, will assure that the users of the airspace will experience few, if any, significant operational delays due to computer capacity shortfall.

SENATOR ANDREWS: Last year, FAA indicated that the first installation site will be a low activity location. Has that site been selected? What is the likelihood that installation problems will delay implementation at saturated cities?

ANSWER: The first Host Computer System is scheduled for delivery to the Seattle ARTCC in Auburn, Washington in April, 1986. The FAA is taking several steps to assure that no installation

problems occur to delay implementation. The Host Computer System will be extensively tested at the FAA Technical Center before delivery to the Seattle ARTCC. Included in that testing will be dry runs of equipment installation and cutover as a rehearsal for installation and cutover at the ARTCC's. Also, the local adaptation data will be assembled and combined with the operational software for extensive site-specific testing prior to cutover at each site.

ADVANCED AUTOMATION SYSTEM

SENATOR ANDREWS: Last April FAA was completing the request for procurement for the Advanced Automation System, the controller automation system augmenting the "Host" computer. FAA had expected to award dual design competition contracts early this year. What is the current schedule for initial contract award, production contract, and field implementation?

ANSWER: The FAA is currently involved in the source selection process for the two Design Competition Phase contracts to develop the Advanced Automation System. These contracts are scheduled to be awarded in August, 1984. The Design Competition Phase period of performance is 35 months, and the Acquisition Phase (production) contract is scheduled for award in July, 1987. Current schedules call for delivery of Sector Suites to the first site in August, 1989.

MODE S

SENATOR ANDREWS: What is the approval date by the International Civil Aviation Organization (ICAO) of Mode S standards? Is there any likelihood that ICAO will approve standards different from the draft standard approved last year? If so, what adjustments to FAA's Mode S plan are necessary?

ANSWER: FAA currently has a joint program agreement with the United Kingdom, USSR, West Germany and France for the standardization of Mode S signal formats. In addition, the draft Mode S standards for ICAO are scheduled to be completed by October 1984. The ICAO approval process will begin at the second meeting of the Secondary Surveillance Radar (SSR) Improvement and Collision Avoidance Systems (SICAS) Panel scheduled October 1984. The SICAS Panel was established by ICAO to prepare the Mode S standards. The final world wide approval process will begin when this panel makes its report to the Air Navigation Committee of ICAO in the spring of 1985 recommending that the Mode S standards be adopted.

There may be some minor differences in the final ICAO standard. However, these can be easily accommodated in software of the Mode S system.

No adjustments to FAA's Mode S plan are necessary as a result of the ICAO activities. The United States is a leader in establishing the Mode S standards to be used worldwide.

DULLES AIRPORT

SENATOR ANDREWS: It was reported in December that GSA had a proposal to sell Dulles Airport property. What is the status of that proposal? What amount of land is involved? What does the Dulles 20-year master plan envision in the way of facility expansion, and in what timeframe?

ANSWER: The Department of Transportation is in the process of preparing a response to a GSA Survey Report that identifies approximately 2680 acres of Dulles Airport property that GSA believes should be declared excess. It is anticipated that Department of Transportation's response will be issued in mid-April.

The study to update the Master Plan for Dulles Airport has identified the need for a third North-South runway after the year 2000. The plan recommends early acquisition of approximately 900 acres of land on the west side of the airport for the future runway system. In addition, the plan will recommend a substantial amount of facility development within the airport's existing land area.

SENATOR ANDREWS: What studies are being conducted to eliminate the mobile lounge system of moving Dulles passengers to and from the terminal? Should gates replace the current system? How many gates are being studied? What will be the impact on the number of slots? What do the carriers think of such a proposal? What is the timetable for completing the study and implementing any changes?

ANSWER: There is no singular study being conducted on eliminating the mobile lounge system of moving passengers at Dulles International Airport. However, there is a need to provide increased capability at the airport to accommodate that segment of the airline industry not well served by the mobile lounge system; i.e., those that depend on quick turnaround and a fast interchange of passengers. This need has prompted studies and considerations for a terminal facility that will offer the airlines a choice of operating with or without the mobile lounge system.

The preliminary studies conducted under the airport's current master planning project indicate a need for at least 12 gate positions. The airlines believe that an alternative to the mobile lounge system would be beneficial to the growth of Dulles. We anticipate that the Master Planning work will be concluded in late summer of this year. We plan to begin preliminary design of such terminal facilities later this year if we receive approval to reprogram $1,500,000 as requested in Secretary Dole's February 2, 1984 letter to the Senate Appropriation Committee.

METROPOLITAN WASHINGTON AIRPORTS PROFITS

SENATOR ANDREWS: The Grace Commission report on the Department of Transportation suggests that the Metropolitan Washington Airports (Dulles and National) attain a profit level comparable to other metropolitan airports (pg. 226). They further state that MWA's 10% margin over operating costs is not consistent with other major airports who develop fees to produce a 40% margin. Would you please comment on this? Have you formally responded to the Grace Commission recommendations? If not, why not?

ANSWER: Analysis has shown that MWA's profit margin already is consistent with other major airports, and that other airports do not earn a 40% profit margin. The Department of Transportation has responded to the Grace Commission recommendations.

The Grace Commission's conclusion that airports earn a 40-percent profit apparently resulted from a misinterpretation of airport financial operations data. The Commission compared revenues with operating expenses, but did not properly reflect application of revenues to pay off principal and interest on long-term Capital Development Bonds. When recovery of capital cost is fully taken into account, MWA's profit margin is consistent with other major airports.

DULLES MID-FIELD TERMINAL

SENATOR ANDREWS: On February 21, 1984, Secretary Dole requested approval to reprogram $1.5 million of Construction, Metropolitan Washington Airports funds. These funds were identified as excess from the Dulles Access Highway connection (Section V project) with I-66 and would be reprogrammed to begin preliminary design on a Dulles terminal addition. What would be the disposition of the $1.5 million if it were not reprogrammed?

ANSWER: This would depend on the guidance from Congress in response to our reprogramming request. Failure to proceed on a timely basis to expand terminal facilities at Dulles in light of current growth trends would require a complete reassessment of existing project priorities. The $1.5 million would not, of course, be reprogrammed elsewhere without first clearing the proposal with Congress. These funds expire at the end of FY 1985.

SENATOR ANDREWS: The update to the Dulles Master Plan is not yet complete. Why do you feel it necessary to begin preliminary design now? How does this relate to the National Airport Policy?

ANSWER: The reprogramming is needed now so that we can move ahead with the procurement process. Even if we begin the procurement process immediately, the preliminary design contract could not be awarded until after the completion of the Dulles Master Plan late this summer. A report documenting recommended concepts has been issued for final review which represents sufficient information to proceed with the procurement of the preliminary design phase.

An objective of the Metropolitan Washington Airports Policy is to "make greater use at Dulles in meeting the region's aviation needs." This project is consistent with that goal.

SENATOR ANDREWS: The press has called it a "mid-field terminal." Have you already studied other options and in fact settled on a mid-field concept?

ANSWER: A number of options have been studied and are documented in a report prepared as a part of master planning study for Dulles Airport. Development of a mid-field complex is the concept recommended by our consultant team. After review of the report by a number of parties, both within and outside of the Department, we will make a final concept decision.

SENATOR ANDREWS: What impact would increased flights have on the communities surrounding Dulles?

ANSWER: A substantial increase in aircraft operations at Dulles would most likely result in larger areas of the communities being subjected to aircraft noise. In anticipation of operational growth at Dulles, the airport is in the process of developing a Noise Compatibility Program in coordination with the adjacent communities that will help to alleviate the severity of noise impacts on the airports environs.

It would also be reasonable to expect an increase in commercial/industrial development in the area surrounding the airport which in general is desired by both adjacent county governments. This development would probably result in a population gain and the resultant demand for associated amenities.

In the original design of Dulles, the need for noise buffers was recognized and extensive amounts of wooded noise buffer land were purchased. The recent proposal by GSA to sell a fourth of

Dulles' land includes significant portions of the noise buffers for the three active Dulles runways. Our ability to successfully deal with future noise levels at Dulles will be greatly jeopardized if these noise buffers are lost.

SENATOR ANDREWS: You've said it would take four to five years to build a major terminal facility. When would construction begin?

ANSWER: Since we are still waiting for approval to proceed with the preliminary design phase, and the detailed design must follow this, we cannot at this stage in the process determine exactly when construction will begin. But we would like to move ahead with construction as soon as the design is completed.

SENATOR ANDREWS: Have you developed a current working estimate of costs for a mid-field terminal? In which fiscal year budget would we expect to see the request to fund the construction?

ANSWER: A report containing a preliminary cost estimate will be ready for distribution soon. We intend to request construction funds as soon as the design has progressed to the point where the intial stages of construction can begin.

SENATOR ANDREWS: Are you planning to recover the costs of the project through airport revenues (landing fees, etc.)?

ANSWER: Yes, the costs of the project will be recovered through airport revenues.

SENATOR ANDREWS: A March 1, 1984, Washington Post article stated that there's still a potential for the two new runways to be built at Dulles sometime after the year 2000 to accommodate increased traffic. What's the relationship between the mid-field terminal and these two extra runways?

ANSWER: It is our anticipation that Dulles will be the principal focus of the Washington Region's aviation growth in the future. The update of the Dulles Master Plan is concluding that two additional runways will be necessary in the long term to accommodate projected aircraft operations associated with that growth. The addition of new terminal facilities is the initial increment of required terminal expansion to handle passenger levels from that same growth trend.

B-757's AND DC9-80's AT NATIONAL

SENATOR ANDREWS: How many B-757 and DC9-80 daily departures are there from National Airport? What airlines are flying them? Can the landing rights and fees at National be structured to promote use of these quieter aircraft?

ANSWER: There are three B-757 and 14 DC9-80 departures daily. The B-757's are flown by Eastern Airlines and the DC9-80's are flown by American Airlines, Trans World Airlines, New York Air, and Midway Airlines. After considering the current fleet mix of the various airlines, in addition to many other factors, we have concluded that it is neither wise nor practical to pursue a restructuring of landing rights and/or fees at this time.

PASSENGER TRAFFIC AT NATIONAL AND DULLES

SENATOR ANDREWS: Your budget request (pg. 77) shows a 12% increase in passenger traffic at National and a 35% passenger increase at Dulles for the 1983-85 period. What is the ten year trend (by number of passengers and percentages of increase/decrease) for 1978 through 1988?

ANSWER: The information follows.

PASSENGER TRAFFIC AT NATIONAL AND DULLES

Fiscal Year	Washington National Airport Passengers	Percent Increase/Decrease	Dulles International Airport Passengers	Percent Increase/Decrease
1978	13,949,139		3,144,600	
1979	15,008,956	+7.6%	3,518,661	+11.9%
1980	14,700,289	-2.1%	2,840,504	-19.3%
1981	14,304,906	-2.7%	2,337,246	-17.7%
1982	13,378,507	-6.5%	2,518,343	+7.7%
1983	14,219,624	+6.3%	2,908,772	+15.5%
1984	15,320,000	+7.7%	3,340,000	+14.8%
1985	15,950,000	+4.1%	3,941,000	+18.0%
1986	15,950,000	0%	4,650,000	+18.0%
1987	15,950,000	0%	5,487,000	+18.0%
1988	15,950,000	0%	6,475,000	+18.0%

OPERATING PROFIT

SENATOR ANDREWS: Your budget estimates a $17 million combined FY 1985 operating profit, $16.9 million at National and $131,000 at Dulles. This is the first time we've seen a profit, albeit small, at Dulles. Do you expect to continue seeing profits at Dulles beyond 1985?

ANSWER: From FY 1973 thru FY 1983 Dulles produced an operating profit during six years totaling $11,646,000 and an operating loss during five years totaling $8,321,000, for a net operating profit of $3,325,000 during this eleven year period. We expect to see increased operating profits at Dulles beyond FY 1985.

SENATOR ANDREWS: Was the $16.9 million operating profit at National based on the 16 million passenger level? If you were successful in getting a 14.8 million passenger cap through this Committee, what operating profit would that produce, assuming the current landing fee structure?

ANSWER: The $16.9 million operating profit at National projected for FY 1985 was based on the current passenger cap of 16 million. Although a 14.8 million passenger cap was proposed last year, until the new Notice of Proposed Rule Making is issued, it should not be assumed that this will still be the level sought.

National produced an operating profit of $13.6 million in FY 1983 with a passenger level of 14.2 million and an operating profit of $15.0 million is projected for FY 1984 based on a passenger forecast of 15.3 million. A passenger level of 14.8 million would produce an operating profit somewhere between these two figures, with adjustments for inflation. If it is assumed that a lower passenger cap at National would shift most of the future increases in passengers to Dulles, then an increase in operating profit at Dulles should largely offset the decrease at National.

SENATOR ANDREWS: Please provide a ten year trend (1978-1988) of operating profit/losses for National and Dulles as it relates to the above ten year passenger traffic.

ANSWER: Precise estimates of operating profit/loss are not available beyond FY 1985; however, we anticipate continued profitability at both airports. The information for National and Dulles thru FY 1985 follows.

TREND OF OPERATING PROFIT/LOSSES

Fiscal Year	Washington National Airport	Dulles International Airport
1978	$+10,324,000	$+2,569,000
1979	+12,194,000	+3,097,000
1980	+11,887,000	+1,511,000
1981	+13,308,000	-4,033,000
1982	+14,155,000	-1,890,000
1983	+13,585,000	-1,027,000
1984	+14,983,000	-1,418,000
1985	+16,884,000	+131,000

SENATOR ANDREWS: Of the $53 million in FY 1985 receipts, how much is related to landing fees, mobile lounges, business concessions, and other? What are the long-range planning estimates for MWA receipts?

ANSWER: The $53 million in FY 1985 receipts includes $9.2 million for landing fees, $2.0 million for mobile lounge fees, $28.6 million for business concessions, and $13.1 million for other. MWA receipt estimates for subsequent years are $58 million in FY 1986, $62 million in FY 1987, $66 million in FY 1988 and $71 million in FY 1989. However, these long-range planning estimates are highly speculative, as actual receipts will depend on the terms of the new air carrier contracts being negotiated this year, actual passenger growth, the business climate, etc.

LANDING FEES

SENATOR ANDREWS: The current ten-year landing fee contracts with the airlines operating at National and Dulles expires on December 31, 1984. Have you begun negotiations on the new contracts? What fee structures are you planning in the new contracts? When do you expect the new contracts to be finalized? If you don't complete negotiations by December 1984, will you simply extend the current contracts?

ANSWER: We have begun preliminary discussions with the airlines, but the actual negotiations will begin later this year. Our strategy for the negotiation is still being formulated. Fee structures will be developed during the course of the negotiations. We are hopeful that the negotiations will be completed by the end of the year, but if not, the current contracts could be extended.

SENATOR ANDREWS: Last year you told us that to encourage greater use of Dulles, mobile lounge fees had been partially waived. Does the 1985 budget assume continuing these reduced fees? What are you charging per lounge trip vs. actual costs to FAA? Why aren't you recovering full costs now? When will you?

ANSWER: The partial mobile lounge fee waiver will remain in effect through December 31, 1984. We are currently charging $30 per lounge trip versus $75.82 per lounge trip actual costs to FAA. The action to partially waive lounge fees was taken in light of the overall profit generated by National and Dulles in combination. Mobile lounge fees will be part of the package of new fees negotiated with the airlines later this year.

SENATOR ANDREWS: Under a U.S. District Court decision last year, deposits by participating airlines into the Air Carrier's Trust Fund at the First and Merchants National Bank of Virginia were to be transferred to the Treasury "forthwith". What is the amount and disposition of these funds?

ANSWER: The trust funds, which totaled $3,869,176, including interest, were transferred to the U.S. Treasury last month.

DULLES BUSES

SENATOR ANDREWS: Because of the U.S. District Court decision, the air carriers were not to use the waived landing and mobile lounge fees that they had deposited into a trust fund for the purpose of purchasing buses. In the 1984 appropriations, Congress provided $2.5 million to purchase the 14 buses to enhance surface transportation to and from Dulles and the Washington metropolitan area. According to a March 12, 1984, Washington Post article, all 14 buses, purchased at a cost of $2.2 million, will begin operating on May 1, 1984. Have all the buses been delivered and outfitted (carpeting, public announcement system, etc.) so that they will, in fact, start making their runs by May 1st?

ANSWER: All 14 of the new buses have been delivered. Since their arrival, all necessary systems which were not installed at the factory, i.e., radios, P.A. systems, and exterior graphics, have been or are in the process of being installed. All contracts require completion by April 25 in order to have all of the buses fully outfitted and ready for service on May 1, 1984.

SENATOR ANDREWS: Does the $2.2 million include costs for outfitting the buses? If not, how much will that cost?

ANSWER: Outfitting the buses is additional, and will cost an estimated $0.3 million.

SENATOR ANDREWS: Does the service franchise with The Airport Connection include maintenance and repair of the buses? What about insurance liability?

ANSWER: The contract with The Airport Connection requires the contractor to provide maintenance, repair and adequate insurance liability coverage.

SENATOR ANDREWS: Are the buses accessible for the elderly and handicapped passengers? If not, why not?

ANSWER: The buses are standard design. No inter-city motor coach equipment is currently being manufactured which is specifically designed to accommodate the handicapped.

IMPROVED ACCESS TO NATIONAL AIRPORT

SENATOR ANDREWS: Automobile congestion during morning and evening rush hours at National Airport is still a problem. Last year you said you were working on plans to improve service at National. Have you completed these plans and will they be a part of an updated Master Plan? Have you made any preliminary decisions on what's needed to provide more acceptable access to and from National Airport?

ANSWER: Improvement of National Airport's roadway system is a major objective of the current master planning study for the airport. The first phase of this study, scheduled for completion this summer, will result in recommended concepts for improving the airport's facilities. Preliminary roadway improvement concepts are presently being evaluated.

Funds to complete the study are included in the Fiscal Year 1985 Construction Program request. Preparation of plans and specifications for approved projects and eventual construction will follow completion of the master plan effort.

SENATOR ANDREWS: Does your FY 1985 request include funds for these improvements?

ANSWER: Only funds for completing the master planning study for improving National's physical facilities have been included in the Fiscal Year 1985 request. Construction funds for development as recommended by the planning study and adopted by FAA will be requested in future years.

AIRPORT POLICE

SENATOR ANDREWS: For the past few years you've said that the Metropolitan Washington Airports' police force has been understaffed largely because of high attrition and low pay scales. Although OPM approved new pay rates for the lower graded police, the press reports that there is still a lot of dissatisfaction among the police force. Do we assume then that the new pay rates will not alleviate your employment problems?

ANSWER: These pay rates are by design of a temporary nature, and while they improve the pay scale at present, they do nothing to permanently change the pay disparities and the retention problem caused by these disparities. We've had special pay rates four times in the past as far back as 1970, but the retention problem and the dissatisfaction with the pay levels are still with us.

SENATOR ANDREWS: What are you doing to meet their concerns? Are there any new initiatives to bring the police force to its full employment level? How many positions and what level of employment have you assumed in your FY 1985 budget?

ANSWER: We have currently taken advantage of every avenue available to us under current law and regulation to address the concerns of the police force. For example, the vacancy announcements have been widely distributed to all local agencies and Armed Forces bases. OPM has agreed to carry an announcement for our vacancies on their job information line. In addition, OPM has contacted candidates on the Deputy US Marshal register to inform them of our vacancies. Also, MWA has obtained delegated examining authority whereby our personnel staff conducts tests of applicants and maintains the register for Airport Police positions in lieu of

OPM. This allows us to devote maximum resources to our police recruitment efforts. In the past eight months, the police test has been given 46 times in an effort to find well qualified candidates.

The FY 1985 budget assumes police employment will average 147 on board during FY 1985. There are 156 authorized police positions.

SENATOR ANDREWS: Please comment on contracting out for the police functions.

ANSWER: We do not believe that contracting the police functions is either legal or practical, and we have no plans to do so.

SENATOR ANDREWS: Please comment on cross training the police and firefighters into a public safety workforce.

ANSWER: Metropolitan Washington Airports is presently conducting a study requested by OMB on the feasibility of merging the police and firefighter workforce. The study will be completed by June 1, 1984.

AIRPORT IMPROVEMENT PROGRAM

SENATOR ANDREWS: It seems that local discretion should be better reflected in the distribution of Airport Improvement Program (AIP) grants to states. What consideration has FAA given, particularly since the subcommittee's field hearing in Jackson, Mississippi, to allowing states more flexibility to determine which airports receive state apportioned funds?

ANSWER: The size and capabilities of state aviation organizations vary greatly among the 50 states, as do state laws and programs concerning airport development. In those states which have strong programs, the FAA works closely with both airport sponsors and state aviation officials to jointly develop programs which best meet both local and national needs. We are placing special emphasis on an annual program cycle in the AIP rather than a case-by-case consideration throughout the year of individual projects as they are received from airport sponsors. The annual cycle approach will encourage and promote a broader planning and coordination effort between local and state authorities in those states with active programs. The AAIA states that "each sponsor of such an airport may apply to the Secretary for grants from funds apportioned to each state." We, therefore, give primary consideration to the airport sponsor's applications but at the same time try to ensure that the requested development is reasonably in accordance with area and state airport planning.

SENATOR ANDREWS: Why does the Department apply the "priority distribution" criteria to state apportioned funds?

ANSWER: The Airport Improvement Program priority system was developed by FAA to help make decisions on the relative priority of all projects proposed during the year. The nature of that system is comprehensive in that it takes into account local needs as well as national system needs. Further, there is sufficient flexibility given the regions to accommodate out-of-the-ordinary situations. The priority system itself does not differentiate among projects funded under state apportionments or discretionary funding. It applies to <u>all</u> airport development and planning, and even sponsors of primary airports are strongly encouraged to use their entitlement funds for their highest priority projects.

SENATOR ANDREWS: Would a statutory change be necessary in order for states to have more discretion over AIP funds?

ANSWER: Under the current law, each state could increase its influence over the use of apportioned funds through development of a strong state aviation organization and other measures such as matching state funding programs, state channeling acts, and a close relationship with local airport sponsors and FAA field offices. A change in the law, however, would be necessary for states to have full discretion over the use of state apportionment funds.

SENATOR ANDREWS: What consideration has been given to a separate category of smaller airports which could compete among themselves for discretionary airport grants? What steps would be necessary to implement such a category?

ANSWER: The Airport and Airway Improvement Act of 1982 (AAIA) established a new funding category under which some smaller airports compete among themselves for discretionary funds. The formula provides that a minimum of 5.5 percent of available Airport Improvement Program funds in any fiscal year be distributed to nonprimary commercial service airports and former air carrier airports. Although consideration has not been given to a separate category for smaller general aviation airports, these airports benefit from the overall increase in funding for other than commercial service airports contained in the AAIA. The Act provides that 12 percent of total funds annually will be distributed to the states for other than commercial service airports. Under this formula, funds authorized for general aviation airports range from $54 million in FY 1982 to $122 million in FY 1987. After discretionary funds were added to the authorized amounts in FY 1982 and 1983, $65.3 million and $155.2 million, respectively, were granted to general aviation airports (not counting reliever airports). This contrasts with an average of $52.8 million per year for these airports during the final five years of previous grants legislation. We believe a legislative change would be necessary to implement any additional separate funding for smaller airports.

SENATOR ANDREWS: The jobs impact can be considerable to a region vying for airport grants, since industry decisions to locate in an area are often determined by airport access. How could this impact be better reflected in grant criteria? For example, could not some credit or weight be given to airport applications which will have a demonstrable employment impact?

ANSWER: Under our present priority system, consideration may be made of the economic benefits of airport development. The amount of aircraft operations activity is a factor in the system. Our experience indicates that a high correlation exists between economic need, airport type, and aircraft operations activity. Under our priority system, it is also possible, with special justification, to override the priority system where warranted.

NUMBER OF AIRPORT GRANTS

SENATOR ANDREWS: According to your justification (pg. 48) you are estimating 1,200 and 1,388 airport grants for FY 1984 and 1985, respectively. How did you arrive at these numbers? How is the number of grants arranged by type of airport?

ANSWER: Estimates for FY 1984 and 1985 were projected from trends established in prior years with adjustments for average project size. In FY 1983 there were 1,082 new projects approved for a total of $736.0 million. These projects were distributed as follows:

Active FY 1983 Program

Fund Category	Number of Projects	Percent of Projects	Federal Funds (in Millions)	Percent of Funds
Primary	326	30.1	395.0	53.7
Other Commercial Service	159	14.7	81.8	11.1
Reliever	138	12.8	100.2	13.6
General Aviation	421	38.9	155.2	21.1
System Planning	38	3.5	3.8	0.5
Totals	1,082	100.0	736.0 *	100.0

We anticipate similiar distributions in FY 1984 and 1985.

Anticipated FY 1984 Program

Primary	365
Other Commercial Service	175
Reliever	155
General Aviation	465
System Planning	40
Totals	1,200

Anticipated FY 1985 Program

Primary	420
Other Commercial Service	205
Reliever	180
General Aviation	535
System Planning	48
Totals	1,388

* These totals do not include funds obligated in the current fiscal year for multi-year projects approved in previous years.

PENDING AIP APPLICATIONS

SENATOR ANDREWS: In last years House testimony (pg. 492) you reported 887 pending applications on file totalling over $1 billion. What's the current number? How many are for new airports?

ANSWER: Currently there are approximately 1,196 applications on file for nearly $1.6 billion in Federal funds. There are 30 applications for $86.1 million included in these totals for new airports. In some cases the airports have been funded in part. Following is the list of preapplications for new airports:

Preapplications on File for New Airports
(Other than Commercial Service)

	Amounts Requested In Millions
Shishmaref, Alaska	$ 2.5
Glendale, Arizona	4.2*
Denver, Colorado (Front Range)	10.0*
Falmouth, Kentucky	.2*
Pascagoula, Mississippi	8.1*
Yazoo City, Mississippi	3.1
Bolivar, Missouri	.5
Doniphan, Missouri	.5
Harrisonville, Missouri	8.4*
Lexington/Richmond, Missouri	2.0*
Monett, Missouri	1.0
Salem, Missouri	.7
West Plains, Missouri	.1*
York, Nebraska	.7*
Anapra, New Mexico	2.0*
Lincolnton, North Carolina	.9
North Wilkesboro, North Carolina	1.4*
Hugo, Oklahoma	.2*
Stilwell, Oklahoma	.5
Reedsport, Oregon	.6*
Gaffney, South Carolina	3.3
Mt. Pleasant, South Carolina	.4*
Summerville, South Carolina	.4*
Fort Worth, Texas	17.5*
Mineola, Texas	.8
Buckhannon, West Virginia	4.1*
Pipestem, West Virginia	2.4
Spencer, West Virginia	3.3
Evanston, Wyoming	4.5*
Total	$84.3

*Projects started, request partially funded.

Preapplications Pending for New Commercial Service Airports

Friday Harbor, Washington	$ 1.8
Total Applications on File	$86.1

FULL-TIME EQUIVALENTS

SENATOR ANDREWS: The Washington Post (February 14, 1984) reported that the Secretary reduced FAA's total FY 1984 full-time equivalents by 790. Is the Post correct? Does the 46,919 full-time equivalents we see in the budget (pg. 10-1) reflect this reduction? If not, then why the reduction on the heels of the budget being presented to Congress?

ANSWER: The Post story was correct at the time, but since February the FTE number has been adjusted from 790 to 390. The FTE level in the FY 1984 column of the FY 1985 budget does not reflect this latest reduction.

The administration's goals of reducing federal employment across all agencies had not been translated into specifics for every department at the time the budget was scheduled to go to press. The FY 1985 FTE levels were developed with the intention of containing employment; further action in FY 1984 was deemed necessary to assure early implementation of the desired levels.

SENATOR ANDREWS: Was this reduction from full-time permanent or other-than full time permanent?

ANSWER: FTE ceilings are provided and administered at the total level without specification of full-time permanent or other than full-time permanent; consequently the reduction will not be directed toward a particular category but will affect both.

SENATOR ANDREWS: By appropriation, how many other than full-time permanent FTE's does the budget assume for FY 1984 and 1985?

ANSWER:

Other Than Full-time Permanent FTE's
(Direct and Reimbursable)

	1984	1985
Operations	860	736
O&M	40	17
F&E	19	17
RE&D	68	82
AVS. INS.	-	-
	987	852

OPERATIONS

SENATOR ANDREWS: Last year the committee approved an FY 1984 direct staffing level for Operations of 46,422. Prior to your adjustment last week of an additional 166 aircraft positions, why had you reduced FY 1984 Operations direct full-time permanent staffing to 46,026--a cut of 396 positions?

ANSWER: The reduction is a combination of several factors: 1) the application of a modified interim staffing standard to center and tower positions; 2) the removal of air traffic positions

associated with towers temporarily closed after the strike (the FY 1984 budget contained these authorized positions but without benefit of an equivalent number of on-board staffing) and now subjected to potential contracting-out possibilities; 3) conversion from vacuum tube to solid-state technology; 4) reorganization of some Systems Maintenance sectors and elimination of overhead positions; 5) anticipation of NAS plan savings.

These reductions were offset by slight increases in flight service stations and assorted other activities.

HUMAN RELATIONS

SENATOR ANDREWS: Last year the Administrator agreed to consider expanding the human relations committee beyond senior officials to front line and lower echelon personnel. What has been done in this regard?

ANSWER: During the past year the Administrator established the National Human Relations Work Group (NHRWG) as a means of providing front-line and lower-echelon personnel direct access and representation in the Human Relations Policy Committee (HRPC) work. The NHRWG consists of one representative from each region, center, and Washington headquarters. The members are also nonsupervisors, first-line supervisors, and second-line supervisors. The NHRWG meets on a monthly basis independent of the HRPC and brings the information from their meetings into the monthly HRPC meetings. This process allows for input across the agency into establishing Human Relations policy.

SENATOR ANDREWS: In last year's Senate hearing (pg 406) FAA outlined specific actions they were taking to address the "Jones Committee" recommendations and improve human relations in FAA. Now that FAA has had another year to effect these actions, has your work been effective?

ANSWER: At the 1-year Jones Committee review, the Jones Committee stated that the FAA had made substantial progress toward resolving many of the problems identified in the Jones Committee report. The Jones Committee stated that the FAA had come much further than what they had anticipated. Recently, in a hearing before the Civil Service and Public Works Committee, Larry Jones, Chairman of the Jones Committee, iterated his assessment that the FAA was making continued progress in resolving the issues presented in the Jones Committee report. In the latter part of May 1984, the FAA has plans to administer a comprehensive questionnaire to assess the current status of human relations in the FAA. This survey will be supplemented by a large number of interviews across the system in regard to the progress of human relations in the FAA. The information from the survey and from the interviews will be combined into a final report due toward the end of August 1984.

SENATOR ANDREWS: Is there a "system" to analyze and evaluate the human relations program?

ANSWER: Yes, there has been a system developed to analyze and evaluate the human relations program. This system consists of two different types of evaluation. The first type is called formative evaluation, and the second type is called summative evaluation The formative evaluation takes place

within each region. The region assesses key facilities to determine the amount of progress being made in human relations. This is done on a frequent basis, approximately quarterly. The summative evaluation consists of the national questionnaire previously mentioned and also the interviews across the system. In this manner, the regions themselves monitor their progress toward achieving the specific goals of the Human Relations program and make adjustments, if necessary, while the annual national survey and interviews serve as a cross-check across the system to determine how well the FAA is attaining its agency goals in human relations.

SENATOR ANDREWS: In retrospect, is there any area or issue that FAA has now found needs special emphasis?

ANSWER: One issue the FAA has found that needs special attention is facility consolidation. As the FAA moves toward more automation, facilities will become much more complex and centralized. The changes require the relocation of some employees. The FAA recognizes that this will have an impact on the work force and their families. Extensive plans are being drawn up now to account for the human impact of these consolidations.

SENATOR ANDREWS: What human relations efforts will FAA undertake in FY 1985? Are these continuing efforts or new?

ANSWER: There are several initiatives that the FAA will continue in the human relations area in FY-85 and some new ones the FAA will initiate in FY-85. At present, the human relations staff has held approximately 1,280 workshops and training sessions that are being attended by nearly 11,000 people. Further, over 4,700 supervisors and managers have taken human relations training at the Management Training School. Another 1,200 are scheduled to take that training by the end of this fiscal year. This training and these workshops will be continued by the human relations staff and the Management Training School staff until every supervisor, manager, and employee has received some type of human relations training. Since the FAA is constantly bringing on new personnel, the FAA views this as a continuing process to keep everyone on-board in the area of human relations.

The new initiatives are in the area of human resource management. This involves taking a very broad and general look at our entire work force in regard to selection; particularly, management selection and training, career development, succession planning, and all the various human systems within the FAA that comprise our human resource management effort. The FAA is interested in selecting employees that are well suited for the job, managers that have good human relations attributes, and establishing a reward system and performance appraisal system that rewards employees and managers for good human relations. These initiatives will begin to take place in FY-85.

SENATOR ANDREWS: Is the Jones Committee as equally impressed with FAA's progress now as they were in March 1983?

ANSWER: As previously pointed out, Larry Jones of the Jones Committee stated recently at the oversight committee hearing held by the Civil Service and Public Works Committee that he viewed the FAA as continuing to make substantial progress in the Human Relations program. We believe that the upcoming questionnaire and interviews will help the FAA assess and understand the progress of the human relations effort much better. The Jones Committee recommended such an assessment, and I am sure that they would support this effort.

SENATOR ANDREWS: What percentage of FAA's management and supervisory work force have completed human relations skills training?

ANSWER: As previously pointed out, over 4,700 managers and supervisors have taken human relations training to this date. Another 1,200 are scheduled to take human relations training by the end of this fiscal year. This number constitutes the majority of the FAA managers and supervisors. By the end of the fiscal year 1985, we expect to have every supervisor and manager having had some human relations training.

SENATOR ANDREWS: What are FAA's long-range objectives in human relations? Does this represent a consensus of top and middle management?

ANSWER: The Human Relations mission is maximum organizational effectiveness achieved through the integration of human resource concepts and practices into organizational development and technological change. To achieve this mission, six goals were developed. They are: (1) Open, honest, and accurate communications throughout the organization. (2) Appropriate employee participation throughout the organization. (3) Managerial excellence. (4) Cooperation and collaboration throughout the organization. (5) Effective management of organizational change. (6) Effective organizational structures. We realize that achievement of the goals is a long-term effort, and the FAA has made a long-term commitment to this effort.

SENATOR ANDREWS: FAA's Information Resources Management Plan includes projects dealing with human resources and ADP interface and training. How do these projects relate to the Human Relations program?

ANSWER: As a part of the human relations effort, the FAA is establishing a computer network system with a small microprocessor in each region and center and at headquarters. Each of the microprocessors will tie into a VAX 11780 computer system at the FAA Civil Aeromedical Institute in Oklahoma City. The microprocessors will also tie into the large mainframe computers at the Data Services Division, also located in Oklahoma City, and will interface with our large Data General computers located in each of the regional

offices. Data collected from each of the regions on key facilities on a quarterly basis will be fed into the microprocessor and transferred to a common data file at the Civil Aeromedical Institute VAX 11780 computer. This data will be assimilated to provide quarterly reports on the progress of the FAA on a frequent basis. The annual national survey data and the annual national interview data will also be fed into the Oklahoma Civil Aeromedical Institute VAX computer. Analysis on this data will tell us specific areas where we are doing well and areas where we need to improve. This data should assist us greatly in continuing our effort in a profitable manner and also improving the effort in the future.

HUMAN RELATIONS SPECIALISTS

SENATOR ANDREWS: Last year FAA reported (Senate hearing page 406) hiring 13 Human Resource Specialists and one GS-15 Human Resource Manager. What's the justification for an additional human relations specialist that you request on page 67 of the headquarters administration FY-85 request? By our figures the $4,674,000 requested program increase for headquarters administration does not include funding for the additional position. How will you fund the position?

ANSWER: There have been no human relations full-time permanent positions requested for the regional offices. Some of the regional human relations specialists have already been placed in permanent positions. We hope to convert all the positions to full-time permanent as such positions become vacant and available. The one position we are requesting in this budget is for the Washington headquarters coordinator. At the headquarters, the turnover and availability of vacant full-time permanent positions is "tight." We are requesting, therefore, this one permanent position to demonstrate a permanent ongoing human relations effort. The funds available for the current temporary position can be made available to fund the permanent position.

AIR TRAFFIC CONTROLLERS

SENATOR ANDREWS: Last year's figure showed that 350 fired controllers had been reinstated by the Merit Systems Protection Board (MSPB). That left about 10,500 cases affirmed by the MSPB. How many other reinstatements have taken place? How many cases are still pending, either before the MSPB or the court of appeals?

ANSWER: As of late March 1984, approximately 490 individuals had been reinstated. At this time, there are about 700 cases which are still pending before the full Board. We are also aware of about 2,250 cases that are pending before the United States Court of Appeals for the Federal Circuit. Included in this number are 13 which the agency lost and which we have requested the Department of Justice to file with the court. The court has not ruled on any of the cases pending in court.

SENATOR ANDREWS: To what extent was there any morale problem with the reinstatement of the 350 fired controllers?

ANSWER: There is some tension at the facility level, however, no major problems have surfaced. As the number of reinstatements remain relatively small, we do not anticipate any significant problems.

SENATOR ANDREWS: Is it possible that fired controllers could be hired through the tower contracting out program?

ANSWER: Yes, there is no prohibition in the program limiting private sector contractors from employing former FAA employees.

CONTROLLER TRAINING

SENATOR ANDREWS: The justification (Page 54) shows a 14% drop in air traffic enrollments from FY 1984 (4,730) to 1985 (4,064) which you attribute to winding down the strike recovery training effort. Yet in last year's House hearing (House, Part 6, pages 410-411) you were assuming 1,296 air traffic trainees in 1984 and that by September or October 1984, the controller program would be back to the normal replacement level. How can you say you're "winding down" when you've added 3,434 more trainees than you projected a year ago? When can we now expect to see air traffic at pre-strike levels?

ANSWER: The 4,730 and 4,064 figures include all types of air traffic training (such as radar, automation, etc.) while the 1,296 figure referred only to controller initial qualification training. The actual increase in FY 1984 is 720 initial qualification enrollments, from 1,296 to 2,016. The increase was needed because of earlier enrollment reductions to avoid overloading our facilities with trainees. Our FY 1985 program of 1,462 enrollments returns us to normal pre-strike levels. The average number of annual enrollments for the five years preceding the strike was 1,559.

SENATOR ANDREWS: For the period FY 1982 through 1983, how many en route and terminal classes were conducted, what was the total enrollment for the two year period, and what percentage of students passed? How does this compare to your original justification estimates for FY 1982 and 1983 enrollments?

ANSWER: During the FY 1982-1983 period, there were 8,705 terminal and en route student enrollments in 484 classes of initial qualification training at the FAA Academy. Of this number who enrolled, 5,137 students--about 59%--successfully completed the training. This two-year enrollment level is approximately 3,500 less than that which was reflected in the 1983 submission over two years ago.

SENATOR ANDREWS: What level of attrition have you experienced for the classes during the first six months of FY 1984?

ANSWER: In the FY 1984 classes which ended as of March 31, 1984, 311 of the 569 students who were enrolled successfully completed training. The resulting rate of attrition, composed of both failures and withdrawals for personal or other reasons, is 45%.

CENTRALIZED TRAINING

SENATOR ANDREWS: With training emphasis now on management and human relations (justification, pg. 52), what portion (dollars and staffing) of the FY 1985 Centralized Training request will be devoted to management and human relations training? And how much for technical training related to NAS Plan new equipment?

ANSWER: Approximately $5 million and eight positions (FAA's administrative staff at the Management Training School in Lawton, Oklahoma) will be devoted to management and human relations

training in FY 1985. Approximately $28 million and 264 positions (FAA's airway facilities training staff at the FAA Academy in Oklahoma City, Oklahoma) will be devoted to airway facilities maintenance training in FY 1985, including that generated by new equipment acquisitions.

Of course, our human relations program encompasses a variety of non-training activities (e.g., human resource staffs, single-purpose conferences, etc.). The FY 1985 budget includes $3 million (largely in Direction, Staff and Supporting Services) to provide the human relations support in other-than-training areas.

SENATOR ANDREWS: How much was obligated in FY 1983 for those two categories?

ANSWER: In FY 1983, approximately $3.2 million was obligated for management and human relations training. Approximately $24.6 million was utilized for airway facilities training.

SENATOR ANDREWS: What percentage of the training is conducted by outside contractors?

ANSWER: Excluding training travel and other miscellaneous costs which are incurred regardless of training source, about 50% of the training budget in 1985 will be devoted to the acquisition of training and support services from outside contractors. In the specific area of management and human relations training conduct, the great majority of such needs are met in this manner, e.g., Management Training School, local colleges and universities, etc. In airway facilities training, about 17% of our training enrollments in 1985 will be accommodated by outside contractors.

SENATOR ANDREWS: The NAS Plan calls for mammoth procurements of equipment. Do any of these procurement contracts include provision for training?

ANSWER: Since it is expected that most, if not all, of the large-scale NAS Plan equipment procurements will generate new training needs, the requests for procurement will include the appropriate provisions for acquisition of suitable initial training for FAA personnel.

B-727 SIMULATOR

SENATOR ANDREWS: In response to questions asked for the record (Senate Hearings for FY 1984, Part 2, Pg. 538) FAA responded that delivery of the B-727 simulator was expected in September 1984, installation in October 1984 and the first operational use in April 1985. Is this timetable still good? Is this what is assumed in the 1985 Centralized Training Request? What's the impact if the schedule slips?

ANSWER: The simulator time schedule is still good. We plan to begin using the simulator in our flight training program on January 7, 1985, and have it fully integrated into the program in April.

Our 1985 flight training program requirements are based on having the simulator fully operational during the last two quarters of FY-85.

If the simulator schedule should slip, we will have to increase our flight hour requirements for the B-727 at the FAA Academy.

A-76 REDUCTIONS

SENATOR ANDREWS: The budget (pg. 25/27) states that approximately $10 million and 402 full-time equivalents (FTE) were reduced, as prescribed by OMB Circular A-76, from the FAA Operations/Headquarters Administration activities. What activities were affected: number of positions, corresponding full-time equivalents, and associated dollar reductions?

ANSWER: The agency has identified a number of potential A-76 projects which stretch across all activities in the Operations appropriation; therefore, the reduction of approximately $10 million and 402 full-time equivalents was prorated against all activities.

SENATOR ANDREWS: Why would you assume these savings before the A-76 studies are completed? What would be required if the final A-76 analysis is less optimistic?

ANSWER: Based on our current inventory of commercial activities scheduled for A-76 review, we expect that the agency will be able to achieve the intended economies. The dollar reductions are less than the full cost of 402 FTE's because some funding will be required for start-up contract costs. If the A-76 studies do not result in as many contracts as expected, the funding intended for contracts could be used to cover the FTE's for in-house activities.

TELEPHONE SWITCHING SYSTEM

SENATOR ANDREWS: Last year Congress disallowed $3.5 million to purchase a telephone switching system for FAA Washington Headquarters. The basis for the reduction was that the actual operational cost effectiveness of the new telephone system at the FAA Technical Center (Atlantic City, New Jersey) should be evaluated before funding another system. Were there in fact, savings in FY 1983 attributable to the new Atlantic City system? How much?

ANSWER: The system was purchased in FY 1983 but installation and cut-over did not occur until November, 1983. No savings were realized in FY 1983.

SENATOR ANDREWS: The Budget (pg. 42-8) does not say anything about FY 1985 purchase of a new telephone switching system for FAA Washington Headquarters. We understand that the Office of the Secretary has gone out for bids to purchase a new telephone system for Department-wide headquarters offices. What is FAA's share of the first year costs for the new system? Are there sufficient funds in FY 1984 to cover the ongoing costs of the current system and the implementation costs of the new? If not, will we see a 1984 supplemental?

ANSWER: The FAA plans to reimburse the Office of the Secretary approximately $2.2 million in FY 1984 for initial installation of the system.

We have sufficient funds to cover ongoing costs of the current system in 1984. As for implementation of the new system, we anticipate covering the $2.2 million through reprogramming actions and will not request supplemental funding.

SENATOR ANDREWS: Does the FY 1985 budget assume savings related to the new telephone systems at the Technical Center and Washington Headquarters?

ANSWER: The FY 1985 budget assumes savings of $190,500 for the Technical Center but no savings will be realized for Washington Headquarters until sometime in FY 1986 as installation of the system will not be completed until late in FY 1985.

INSTALLATION AND MATERIEL

SENATOR ANDREWS: Why is FAA requesting nine additional realty specialists? (Justification, pg. 42-7) How many realty specialists did you have in FY 1983? Currently on-board? How many parcels of land or pieces of property did the realty specialists handle in FY 1983? What is the role of the realty specialists in acquiring land or easements for airway facility installations that are discussed on page 172 of the Facilities and Equipment justification?

ANSWER: Nine additional realty specialists are required to allow the FAA to provide logistics resources to support existing and planned NAS facilities and systems which require real estate, space and utilities as NAS programs have remained static. Specifically, these positions will allow us 1) to accomplish the purchase of new and existing facility sites as part of the F&E program in lieu of continuing to lease in the face of ever increasing lease payments; 2) to acquire leased space for offices and facilities in a more timely and effective manner; and 3) to provide more time for real estate program managers to plan, coordinate, and implement realty actions required to support the overall NAS programs.

In 1983 we had 56 realty specialists and currently have 54 on-board.

The FAA has responsibility for more than 20 million square feet of space and more than 175,000 acres of land. These figures involve FAA owned, leased, and permitted properties as well as GSA owned/leased properties which require some form of action (reviews, negotiations, renewals, etc.) on an annual basis. It should be noted that the FAA is the largest land leasing civil agency in the U.S. Government.

With respect to the role of the realty specialists acquiring land or easements for airway facility installations, they make a preliminary review of the requirements, contract for the appraisal of the property if required, coordinate actions with the Justice Department in the event condemnation action is required, decide the most economical and effective type of interest in the property to be acquired, negotiate with the landowner(s), acquire those interests which are in the best interests of the Government.

SENATOR ANDREWS: Please describe the functions of FAA's realty specialists? Are these services candidate for A-76 contracting out?

ANSWER: Realty specialists acquire realty, space, or interest therein, by purchase or lease agreement, condemnation, permit, donation, etc., obtaining the necessary rights-of-way, easements, withdrawals from the public domain and/or other restrictions/rights as required. This includes all effort expended in: planning the budget, preparing space layouts, ascertaining conditions on leases or permits, negotiating non-automatic lease renewals, appraisal reviews and general negotiations. The realty specialist also takes appropriate steps to dispose of property when use is no longer required as well as coordinating the timely capitalization of all realty interests.

Due to the unique nature of our property requirements and safety mission of the FAA, we do not feel it would be appropriate to consider contracting out these functions.

While we are charged with acquiring realty rights from the landowner(s) in the most economic manner possible, we must also ensure that these landowner(s) are treated fairly as the tax dollars involved in these acquisitions belong to all Americans.

SENATOR ANDREWS: In FY 1982, the Department of Transportation was involved with over 4,000 households that qualified for relocation assistance under the Uniform Relocation Assistance Act. How much of this relocation was handled by FAA?

ANSWER: In FY 1982, FAA administered grants in which 730 households qualified for relocation assistance. In FY 1983, there were 1,054 households.

LEASED COMMUNICATIONS SERVICES

SENATOR ANDREWS: The actual FY 1983 costs for leased communications services through the Department of Defense came in 20% ($31M) lower than what FAA had budgeted. Why? Where did you use the surplus $31 million?

ANSWER: The decrease in our FY 1983 leased communications services requirements was due to several factors: the limitations placed on the consolidation of part-timing in the Flight Service Stations program, delays in the delivering of equipment, and delays for technical reasons in the initiation of programs.

Some funds (about $3 million) were reprogrammed so the procurement of the leased communications services was handled through an agency component instead of the Department of Defense.

The $30 million "surplus" did not develop the last day of the year. Some slippage occurred in the first quarter; by the third quarter we were aware of a drop in requirements of $17 million. This enabled us to absorb a larger portion of the pay raise costs than originally planned ($11.7 million vs. $29.8 million). In the last months of the year as more funds became available, we directed them to high priority requirements - such as special maintenance projects, equipment procurement etc. - which had been deferred or reduced earlier in the year pending the supplemental appropriation.

SENATOR ANDREWS: What analysis or estimating techniques were used to arrive at the FY-1985 request for leased communications?

ANSWER: In order to arrive at the FY-1985 request for leased communications, we started by establishing the known FY-1983 obligations as the base. The effect of the FY-1984 program is then factored in to the extent we can estimate that at the time the FY-1985 is prepared. An extensive review of the regional program and budget year submissions is then performed at headquarters level. National programs are reviewed to insure leased communications requests conform with the facilities and equipment commissioning schedule and the NAS Plan. This review also included the effects of divestiture. The impact was estimated by analyzing the AT&T published rate increases (approximately 30 percent across-the-board) on current services and equipment and projecting these increases. However, these rates were changed several times, and it became

apparent that estimating for this item would be very difficult. The amount ($12.9 million) currently in our FY-1985 budget is by no means our estimate of the total impact of divestiture. We believe that the impact will be much more significant, and no doubt Government-wide. Further, all estimates are examined for proper annualization techniques and correct use of standard OMB developed inflation rates.

SENATOR ANDREWS: Have possible delays in facility commissionings been factored into the estimates for FY-1984 and 1985? If not, why not?

ANSWER: Our estimates are based upon the latest information on the planned commissioning schedules for FY-1984 and FY-1985.

SENATOR ANDREWS: What impact would a delay in the Radar Microwave Link replacement program have on the leased communication estimates?

ANSWER: The Radar Microwave Link (RML) replacement program will provide new RML with increase channel capacity thus allowing us to perform multiplexing and trunking. If this program were delayed for one year, we would be unable to take advantage of the savings generated by this program and, therefore, would incur an estimated $7,000,000 increase in the leased communications program.

SENATOR ANDREWS: Please provide for the record the FY 1983 actual and FY 1984 and 1985 estimated obligations for leased communications services by major category. What are the current FY 1984 obligations by major category through March 31, 1984.

ANSWER: The following table indicates FY 1983 actual obligations, FY 1984 actual obligations through February 29, 1984 and estimated total obligations for FY 1984 and FY 1985.

LEASED SERVICES FOR FISCAL YEAR 1983-85

	Obligations			
Major Category	Actual FY-1983	FY-1984 Thru 2/29/84	Estimated 1984	Budget Estimate 1985
Interphone service	$68,311,700	$28,414,900	$81,621,060	$92,818,900
Air navigation facility control circuits	6,444,500	2,111,100	7,700,100	8,756,500
Digital data service (teletypewriters)	20,622,600	8,582,100	23,100,300	26,269,500
Remote control air/ ground (RCAG)	12,889,000	5,672,600	16,940,220	19,264,300
Radar remoting	7,733,400	2,871,300	9,240,210	10,507,800
Facsimile service	3,866,700	1,656,000	4,620,060	5,253,900
Remote tower, FAA radio circuits	9,022,300	3,190,200	10,780,140	12,259,100
Aeronautical Radio Inc. (ARINC) and Regions	4,169,600	1,792,800	6,437,000	6,820,000

SENATOR ANDREWS: In looking back at the FY-1984 request, we did not see funds programmed for AT&T divestiture. Where then, did you find the $10 million for the divestiture that you refer to as being in the FY-1984 base? (Justification, pg., 44-11R) It appears from your justification that you are requesting $12.9 million for AT&T one-time nonrecurring divestiture costs. If not, how much is related to recurring costs? Can we expect to see additional increases in the future? Are there any AT&T divestiture costs included in the $13.4 million annualization and $19 million program increases. If so, how much? Recurring or nonrecurring? How much of the total AT&T divestiture costs are allocated to DOD? Please explain your method for determining AT&T divestiture costs?

ANSWER: When the FY-1984 Congressional budget was submitted, the divestiture of the Bell System had not progressed sufficiently to be incorporated in that submission. Since then, we have reprogrammed approximately $10.0 million into our FY-1984 program to cover the costs of divestiture. These funds are of a recurring nature and not one-time nonrecurring costs. Although we have stated that the approximate impact on the leased communications budget cannot be estimated at this time, we anticipate substantial increases in the near future.

The annualization cost of divestiture, $2.9 million, was listed separately and was not included in the $13.4 million annualization and the $19.0 million program increase costs. Our method for determining divestiture costs was to analyze the AT&T published rate increases (approximately 30 percent across the board) on current services, equipments, and other project increases. However, in the interim, these rates have changed several times, and it is apparent that estimating for this item is very difficult. The amount ($12.9 million) currently in our FY-1985 budget for divestiture is by no means our estimate of the total impact. We believe that the impact will be much more significant, and no doubt Government-wide. It is our intention, once the effect of divestiture is more fully known, to request a supplemental appropriation if the circumstances warrant.

CENTERS AND TOWERS

SENATOR ANDREWS: Why have you combined the Center and Tower justification material into one subactivity:

ANSWER: We made an extensive review of our budget presentation materials last year with the objective of refining it such that activities presented to the Congress would be more definitive and meaningful. The Air Traffic subactivities appeared to lend themselves to rearrangement through consolidation for several reasons.

First, only Center and Tower controllers engage in the actual control and separation of air traffic, where the other subactivity personnel do not. Secondly, our National Airspace System Plan (NASP) calls for the eventual (mid-1990's) merging of many Tower and Center control personnel into a new kind of facility - an Area Control Facility (ACF). This new ACF concept, together with our contracting out of VFR Control Towers, should narrow the focus of our controller ranks into the combined Center-Tower subactivity.

SENATOR ANDREWS: Of the 20,099 and 19,276 full time positions (page 37) for FY 1984 and 1985 respectively, how many have you allocated for centers and how many for towers? Where do you plan to apply the 823 position decrease?

ANSWER: For FY 1984, centers are allocated 8,846 positions and terminals 11,253. For FY 1985, centers are allocated 8,846 and terminals 10,430. All of the 823 position decrease is in terminals.

SENATOR ANDREWS: Please explain the "modified interim" staffing standard that was used to arrive at this 823 number.

ANSWER: Shortly after the strike, an interim terminal staffing standard was developed based on the number of positions of operation required to handle pre-strike activity. In 1982, this standard was modified based on on-site visits, surveys, and regression analyses of automated data bases. The modified interim standard relates positions of operation to facility aviation activity levels. The terminal staffing standard is currently being revised to arrive at a more precise relationship. The new engineered standard will be used to develop our FY 1986 terminal staffing requirements.

SENATOR ANDREWS: What is the onboard full-time permanent employment as of March 31, 1984, separately for centers and towers; what have you assumed for FY 1984 end-of-year employment?

ANSWER: On March 31, 1984, there were 8141 full-time permanent employees onboard in the centers and 10,129 in the towers. The end-of-year FY 1984 employment figures for centers is 8404, and 10,691 for towers.

SENATOR ANDREWS: How many center and tower positions were authorized in FY 1983 and what was the FY 1983 end-of-year employment level?

ANSWER: In FY 1983, 8,845 full-time-permanent positions were authorized in centers, with an end-of-year of 8,669. Towers were authorized 11,668 full-time-permanent positions, with and end-of-year of 10,963.

SENATOR ANDREWS: On page 38 of the jusification you refer to an "authorized positions ratio consistent with operational needs." Please explain this ratio, how it was derived, and how you factored in the 6½ percent increase in IFR aircraft handled, terminal instrument operations, and aircraft operations.

ANSWER: The authorized position ratio we use for centers and towers is 4 percent above the required employment level. This is the normal ratio that we used before the strike. There must be an authorized position available for every new employee hired. The 4 percent ratio provides an adequate safety margin in case, at some point during the year, actual employment is higher than the planned end-of-year employment level. When we applied the terminal staffing standard, we factored in an 8 percent increase in aviation activity for FY 1985 over the pre-strike level. For the centers we included 95 additional positions to accomodate the forecasted FY 1985 aviation activity increase.

SENATOR ANDREWS: How do you justify the statement (page38) that FAA will have a larger number or full performance level controllers available to do the work when you are still projecting almost 6,800 students for air traffic in FY 1984 and FY 1985?

ANSWER: There will be only 2,016 new air traffic trainees at the FAA Academy in FY 1984 and 1,462 in FY 1985. The trainees who were hired in 1982 and 1983 will be reaching the full performance level in 1984 and 1985. During the past year, the number of full performance controllers has been increasing by an average of 100 per month.

HEADQUARTERS ADMINISTRATION

SENATOR ANDREWS: In FY 1984 Congress provided a separate appropriation for Headquarters which included language providing for increases or decreases up to 7.5% provided that such transfers are reported to the Committee. As yet, this Committee has not received any notification of transfers between Operations and Headquarters Administration. Can we assume, therefore, that FAA can live with the Headquarters Administration as it was originally appropriated? ($56.9 million)

ANSWER: The Headquarters Administration Appropriation needs the pending pay supplemental of $597,000 in addition to the original appropriation of $56,900,000 in order to meet current known requirements for the balance of this fiscal year. A hiring "freeze" in effect during FY 1984 has reduced personnel compensation requirements which appears to provide adequate funds for the balance of the year. Hopefully, we will not have to take advantage of the transfer of funds provision provided in the appropriation language.

SENATOR ANDREWS: Why then are you requesting a 26% increase in FY 1985? (to $72 million) And why are you proposing to fund it within the Operations Appropriation instead of a separate appropriation?

ANSWER: Actually, we're asking for only a 9% increase as $8.9 million of the difference between the FY 1984 appropriation and the FY 1985 request represents an adjustment of items to be financed from the Headquarters Administration. A like decrease has been reflected in the Direction, Staff and Supporting Services activity request. The adjustment transfers those items which are more logically funded at the Washington Headquarters, to the Headquarters Administration. The FY 1984 column of the FY 1985 request has been adjusted accordingly in order to reflect only program changes in lieu of the financing adjustment.

We recommend elimination of the Headquarters Administation or a separate appropriation in favor of funding this activity from the Operations Appropriation for several reasons:

-- It does not clearly represent all Headquarters administrative costs. Only Direction, Staff and Supporting Services, Centralized Training, and procurement are included. It would be difficult, if not impossible, to clearly distinguish between headquarters and field functions.
-- It inhibits flexibility needed to accommodate program changes.
-- It increases workload at all levels, i.e., Congress, OMB, Department, agency, program offices, payroll, accounting, and budget.
-- It might force furloughing personnel in Washington headquarters during periods of declining appropriations due to inability to reprogram funds from the larger Operations Appropriation.

HEADQUARTERS ADMINISTRATION - ADP

SENATOR ANDREWS: On page 67 of the justification you're requesting an additional $1,112,000 for Automatic Data Processing (ADP) rentals. Does this represent annualization of FY 1984 costs? How much of this increase is associated with rental rate increases and how much is related to expansion?

ANSWER: The increase reflects annualization of: (1) expansion equipment installed in FY 1984 ($262,000); (2) the regional computer installed in FY 1984 ($600,000); and (3) first year rental for expansion equipment to be installed in FY 1985 ($250,000). It does not reflect rental rate increases as these amounts are separately requested.

FEDERAL AVIATION ADVISORY COMMITTEE

SENATOR ANDREWS: What is the status of the Federal Aviation Advisory Committee? Have members been selected? What is its relationship to the Systems Engineering and Integration Contractor? What is the relationship to the National Airspace Review Group? To whom and on what does the Committee report?

ANSWER: The Committee was established effective August 15, 1983. It held one orientation meeting during October. Of the seven authorized members, including the sitting Administrator, two vacancies remain to be filled. Current members include: the FAA Administrator; Mr. Najeeb Halaby, FAA Administrator

from 1961-1965; Dr. William H. Pickering, Professor Emeritus, California Institute of Technology, and former Director of the Jet Propulsion Laboratory; Dr. William L. Firestone, former Vice President and General Manager of RCA Avionics; and Dr. Christopher C. Kraft, former Director, NASA Johnson Space Flight Center and Director, Apollo Flight Operations. We see no special relationship between the Systems Engineering and Integration Contractor, nor the National Airspace Review Group. The Committee reports directly to the FAA Administrator. It is intended to provide an independent assessment of the objectives, direction, and balance among the major portions of the modernization program, particularly in cost-effective planning aspects; independently judge the engineering and development program and implementation plans in terms of meeting future needs; and identifying potential applicability of university and industry research to FAA's needs.

AGE 60 RULE

SENATOR ANDREWS: What is the status of the Department's final rulemaking regarding retirement of cockpit crewmembers at Age 60? Will any such regulation be extended to flight engineers? Why or why not? What is the status of litigation on this issue?

ANSWER: On March 30, 1984, the Federal Aviation Administration (FAA) issued a Withdrawal of Advance Notice of Proposed Rulemaking which solicited information needed to form the basis of a program that the FAA was considering developing and implementing. Such a program would have gathered data that might support a determination as to whether persons age 60 or older can safely serve as pilots of airplanes operated under Part 121 (Certification and Operations: Domestic, Flag, and Supplemental Air Carriers and Commercial Operators of Large Aircraft) of the Federal Aviation Regulations (FAR). The notice is being withdrawn because, in the absence of validly selective tests, sufficient means for collecting quantitative medical and performance data on airline pilots over age 60 under conditions of actual operational stress and fatigue that do not introduce an unacceptable safety risk do not exist.

The Advance Notice of Proposed Rulemaking, which is being withdrawn, also requested information on the possibility of establishing age limitations for required flight engineers employed by Part 121 air carriers. The FAA has determined that to proceed with rulemaking to propose a mandatory retirement age for flight engineers at this time would not be appropriate. Available data is not sufficient in and of itself to support imposing a mandatory retirement age on flight engineers.

Although the FAA's Age 60 Rule for pilots has been challenged, the Courts have upheld it; e.g., Starr v. FAA, 589 F. 2d 307 (7th Cir., 1978). We are aware of several jury trials involving the question of whether airlines may impose an "Age 60 Rule" on their flight engineers. In at least one of these trials the jury found in favor of the airline. At least one court of appeals found that a jury verdict against the airline was supported by substantial evidence. In another case involving a labor dispute, a court of appeals was of the opinion that age 60 was not a bona fide occupational qualification for flight engineers, based, in part, on the fact that the FAA imposed no such rule on flight engineers. Each of these cases was based on the standards in the Age Discrimination in Employment Act. The courts did not address the FAA's responsibility under the Federal Aviation Act of 1958, which must be fully considered in any decision on this matter.

HELIPORT STUDY

SENATOR ANDREWS: What is the status of the study of a downtown heliport, requested in the Report accompanying the FY 1984 appropriation bill? What are the major conclusions of this study?

ANSWER: For the study, the following three sites were selected for in-depth analysis:

Site 2: A surface-level site at 12th Street and Maine Avenue, SW. (Portal site),

Site 8: An elevated site on the garage at Union Station (Union Station site), and

Site 9: A surface-level site at the railroad tracks, 1st, M and N Streets, NE. (Coal Yards site)

Preliminary findings suggest that

-- The total estimated number of passengers at a downtown Washington heliport ranges from about 78,000 to 90,000, depending upon the site. Approximately 92 percent would be using the service for airport access.
-- Heliport operations would not significantly affect operations at National Airport.
-- Introduction of scheduled helicopter service to Dulles and BWI would improve the overall access to those two airports.
-- There probably is not sufficient traffic to justify heliport operations between Baltimore and Washington.
-- By 1993, only the Coal Yards site (Site 9) could operate at a profit, that is, recover both operating and maintenance costs as well as debt service.

Because the study is not yet completed, it would be premature to offer final conclusions at this time. We understand that the report will be submitted to the Congress in June 1984 in accord with an extension of the delivery date agreed to between the Office of the Secretary and Committee staff.

DEFEDERALIZATION STUDY

SENATOR ANDREWS: What is the status of the defederalization study required by Section 522 of the Airport and Airway Improvement Act of 1982:

ANSWER: We understand that a first draft of the Airport Defederalization Study has been completed and is presently undergoing staff-level review in the Office of the Secretary. We have been advised that it soon will be transmitted to FAA and OMB for review and concurrence. Depending on the extent of revisions required, the Secretary should be sending the report to the Congress within the next few months.

WIND SHEAR

SENATOR ANDREWS: How many airports currently have the wind shear alert system? How do you determine high risk areas? Will you install more?

ANSWER: Currently 58 airports have the Low Level Wind Shear Alert System (LLWAS) installed and operating. We plan to install an additional 51 LLWAS's between June 6, 1984 and June 11, 1985. High risk areas were determined from a study based upon the number of storms and air traffic count. Upon approval from FAA Headquarters, the LLWAS systems were (will be) installed at the selected airports.

SENATOR ANDREWS: Do you think accidents have been prevented because of the system?

ANSWER: To a large degree, yes. During the past 2 years, according to the National Transportation Safety Board, there have been no major aircraft accidents due to wind shear. We feel that FAA's integrated program of pilot awareness of the wind shear hazard through pilot education, FAA Aviation Circular Letters on wind shear, computer modelling of wind shear hazards, installation of LLWAS systems at major airport, production and dissemination of an education training film on wind shear based on FAA-sponsored research in the Joint Airport Weather Studies (JAWS) project at NCAR, rapid dissemination of pilot reports of wind shear encounters and encouragement/guidance to airlines to institute pilot training on wind shear hazards through flight simulators and other means have been effective in eliminating wind shear as a causative agent for aircraft accidents. We are pursuing additional work in these areas.

SENATOR ANDREWS: Do the wind shear devices measure vertical wind shear?

ANSWER: Not directly, the LLWAS is essentially a ground-based system that alerts tower personnel to the occurrence of wind shear at the airport. The LLWAS responds to strong downflow of air or downburst from thunderstorms and also responds to migratory gust fronts, sea breezes, etc., that manifest themselves at low levels.

SENATOR ANDREWS: Can the use of more sophisiticated radar be effective in detecting wind shear?

ANSWER: Yes. There is concrete evidence that Doppler radar techniques are effective in detecting wind shear. The FAA is actively investigating the use of Doppler weather radar for terminal area applications with primary emphasis being on wind shear detection.

CABIN SAFETY

SENATOR ANDREWS: Are there regulations currently in place requiring passenger air carriers to equip cabin seats with fire blocking materials?

ANSWER: Yes, the FAA does have flammability standards. The current regulations are covered under FAR parts 23, 25, 27 and 29. Continuing research into improved materials resulted in the FAA issuing a Notice of Proposed Rulemaking (No. 83-14) on August 23, 1983 which was published in the Federal Register on October 11, 1983 (48 FR 46250). That notice proposed to establish new and more stringent flammability requirements for seat cushions used in transport category aircraft certificated under Part 25 of the FAR (Airworthiness Standards: Transport Category Airplanes) and Part 29 of the FAR (Airworthiness Standards: Transport Category Rotorcraft). In addition, it requires that the cushions

in transport category airplanes type certificated after January 1, 1958, and operating under Part 121 of the FAR comply with these new requirements after a specified date. The proposed requirements would be in addition to the present flammability requirements contained in the FAR. The proposal is a result of research and fire tests, both small-scale and full-scale, and is intended to increase aircraft fire safety.

SENATOR ANDREWS: What other improvements have been achieved regarding cabin interior materials?

ANSWER: Work currently underway, in cooperation with the National Aeronautics and Space Administration and the aircraft industry, will result in proposed criteria and test methods for sidewall, ceiling, and overhead bin materials that will provide a substantial increase in fire safety from interior cabin materials. Complementary agency projects have addressed smoke detectors, automatic and hand-held fire extinguishers, and crew training, which are all part of the overall program goal to provide improved occupant safety from the fire hazard.

SENATOR ANDREWS: Have these requirements been adopted cooperatively by the industry?

ANSWER: The agency considers that the work to date has indirectly encouraged companies like the Boeing Aircraft Company to make use of interior material made of phenolich-fiberglass instead of epoxies. This represents a safety advancement from a flammability standpoint. Whenever a formal notice of proposed rulemaking is announced that increases the standards of safety, the usual official response from the industry is at least somewhat negative since it represents additional regulation. However, in the broad sense, the industry is basically cooperative regarding safety improvements.

SENATOR ANDREWS: What research funding is dedicated to cabin safety in Fiscal Years 1984 and 1985?

ANSWER: The research funding for cabin safety in Fiscal Year 1984 is $4.572 million and in Fiscal Year 1985 is $5.197 million.

FUEL FIRE PREVENTION

SENATOR ANDREWS: The FAA had investigated the addition to jet fuel of Polymers to prevent flammable and explosive mists. Are these chemicals part of the jet fuel composition now?

ANSWER: The antimisting Polymer additives are not presently part of the current jet fuel composition. The FAA has completed the development necessary to allow safe and effective use of these Polymer additives and is scheduled to demonstrate their effectiveness in a controlled impact demonstration of a transport type aircraft in July 1984.

When implemented, the additive will be blended into the aircraft jet-A fuel at the normal aircraft fueling point. The only change to the Jet-A fuel specification, currently envisioned, is the establishment of a minimum value for the aromatic content in Jet-A.

CRASHWORTHY FUEL SYSTEMS FOR HELICOPTER

SENATOR ANDREWS: We understand the Army has had operational, for more than a decade, a crashworthy fuel system for its helicopters. Is this technology in place in the domestic fleet? If not, why not?

ANSWER: The existing Federal Air Regulations do not preclude the use of a crash resistant fuel system.

Extensive studies of well-documented U.S. Army accident data led to the identification of the crash impact conditions, the significant events, and the underlying engineering solutions to the causes of military fatalities/injuries associated with post crash fire. The Federal Aviation Administration has just completed a program which, based on an evaluation of actual civil helicopter accidents, as recorded by the National Transportation Safety Board and the major helicopter manufacturers, has established survivable civil helicopter crash scenarios. Based on these scenarios, which are different from those against which the Army developed their crashworthy fuel systems criteria, the Federal Aviation Administration has initiated a program, not only to apply the existing Army technology, but also to establish the levels of protection associated with each component of a crash resistant fuel system. Civil rotorcraft are certificated under Federal Air Regulation Parts 27 and 29 which represent two substantially different catagories of use and these different operating environments must be considered in proposing any change to the protection required of their fuel systems.

RUNWAY CONDITIONS

SENATOR ANDREWS: Is the Federal Aviation Administration still conducting research on a friction vehicle to measure runway slipperiness?

ANSWER: Yes, joint National Aeronautics and Space Administration/Federal Aviation Administration tests are being conducted at Wallops Island, Virginia, and Federal Aviation Administration Technical Center to develop a system to measure runway slipperiness. The project started up in June of 1983 with 40 runs made with the National Aeronautics and Space Administration B-737 aircraft and with the Diagonal Brake Vehicle, Mu-Meter, BV-11 Skiddometer, and Saab Friction Tester. Extensive analysis of all aircraft and vehicle friction data is currently underway to determine valid and reasonable friction—speed gradient curves for use in evaluation of the National Aeronautics and Space Administration tire friction hydroplaning theory. The test effort using the Federal Aviation Administration B-727 aircraft is now planned for August 1984. Efforts are underway to install instrumentation on the aircraft with National Aeronautics and Space Administration support during the April-July period. The current planned test matrix calls for 46 runs with the B-727 on dry runways, runways wet with water trucks, and rain wet runway surfaces with an additional 11 tests on selected operational runways. Additional runs on snow/icy runways using the B-727 are planned for the winter of 1984-1985.

SENATOR ANDREWS: Do pilots and controllers now have the benefit of realtime runway slipperiness information?

ANSWER: It is the controller's responsibility to issue airport condition information necessary for an aircraft's safe operation in time for it to be useful to the pilot. It is the responsibility of the agency operating the airport to provide the tower with current information regarding airport conditions. Controllers are instructed to issue to aircraft only factual information as reported by pilots or the airport management concerning the condition of the runway surface describing the accumulation of precipitation and the braking action conditions caused by ice, snow, slush, or water.

At locations where friction measuring devices, such Mu-Meter Saab Friction Tester, and Skiddometer are in use, the controller has the responsibility to furnish information as received from the airport management to pilots on request.

COLOR WEATHER RADAR GRAPHICS

SENATOR ANDREWS: What is the status of color weather graphics capability?

ANSWER: Color weather graphics have been implemented under our Radar Remote Weather Display System (RRWDS) program. It involved the procurement and installation of radar weather digitizers on 132 radar systems and transmission of the weather data via telco lines to 20 Air Route Traffic Control Center/Central Weather Service Units (ARTCC/CWSU) and 44 flight service stations.

SENATOR ANDREWS: When will all Air Route Traffic Control Centers have such displays?

ANSWER: The Radar Remote Weather Display System (RRWDS) hardware has been delivered to all 20 Air Route Traffic Control Centers (ARTCC). With the exception of two Air Route Traffic Control Center/Central Weather Service Units (ARTCC/CWSU), the RRWDS hardware has been activated and achieved initial operating capability. The remaining two ARTCC/CWSU's will be activated within 60 days. The RRWDS is scheduled to achieve full operational capability within the next 3 or 4 months as final documentation (instruction books) training and operator orientation are completed.

SENATOR ANDREWS: What improvements, other than the surveillance of thunderstorms, make color weather graphics such an innovation?

ANSWER: The important feature of the color weather graphics from the Radar Remote Weather Display System (RRWDS) is the fact that it provides the meteorologist in the Air Route Traffic Control Center (ARTCC) and the flight service specialist in the Flight Service Station access to essentially real time reflectivity (precipitation intensity) information from National Weather Service weather radars and from Federal Aviation Administration Long Range Surveillance Radars. This information when used in conjunction with other sources of weather information provides much improved and more timely hazardous weather indications than was previously available.

FLIGHT DATA RECORDERS

SENATOR ANDREWS: Why is there no standardization of the Flight Data Recorders required of passenger air carriers?

ANSWER: The first Flight Data Recorder (FDR) requirements were implemented in the early 1960's. The recorder requirement was for five parameters, later increased to six. The technology of that time period dictated that the most practical recording medium would be metal foil. The second FDR requirements were introduced in the late 1960's and required that all post-September 30, 1969, certificated aircraft (which immediately impacted the wide body aircraft being introduced at that time, the Boeing 747, Douglas DC-10, and the Lockheed L-1011) would require a total of 17 recording parameters. Due to the number of parameters required, the metal foil medium became impractical and, because digital technology had been successfully developed, it became the adopted form of data retention.

In rapidly changing technological fields, an attempt to mandate standardization would inhibit our ability to accrue the benefits from technology.

The Federal Aviation Administration (FAA) is currently in the formal rulemaking process to apply new digital technology to the pre-1969 certificated aircraft by proposing a rule change, whereby the foil recorders will have to be replaced by digital FDR's with expanded parameters.

SENATOR ANDREWS: What percentage of flights are now on aircraft equipped with digital flight data recorders?

ANSWER: Approximately 24 percent of the current air carrier flights are being conducted by operators utilizing aircraft equipped with digital flight recorders.

SENATOR ANDREWS: Are commuter carriers required to have such devices? If not, why not, since they represent such a growing share of the aviation market?

ANSWER: We do not currently require commuter aircraft to have any recording devices. This is based on the lack of complexity of the aircraft currently in service. The complexity of the new aircraft being designed for the commuter market is increasing. To address these changes in the technological area and also recognizing their increasing market share, the FAA is currently in the formal rulemaking process to propose that all newly manufactured, multi-engine, turbine powered aircraft requiring two pilots with a seating capacity of six seats, or more, must have a cockpit voice recorder.

SENATOR ANDREWS: Foreign air carriers, we understand, track many more flight "parameters" than do U.S. carriers. Please provide a listing of these parameters compared to those used in this country. Why don't the FAA and air carriers add extra parameter capability to assist in equipment maintenance data collection and logging?

ANSWER: Of the five nations that have significant flight data recorder requirements, United Kingdom, United States, Germany, Canada, and France, only France requires more parameters for aircraft that were certificated after September 30, 1969.

Prior to amending Parts 25 and 121 effective September 18, 1970, (amendments 25-25 and 121-66; published in 35 F.R. 13191, August 19, 1970) the FAA considered ATA's comments that the cost of retrofitting existing fleets was not justified by the benefit, considering that the useful life of existing fleets would be largely

terminated by 1980, particularly in view of the cost of other new electronics safety equipment that was being planned for these airplanes during the 1970's such as altitude alerting, collision avoidance, area navigation, automatic landing equipment. The ATA pointed out that retrofitting, which requires the installation of numerous transducers in the existing airplane systems and extensive wiring in addition to multiplexer-digitizer equipment and recorders, would be an extremely difficult task. The ATA's comments cited serious development and reliability problems experienced by one air carrier in retrofitting and operating 16 airplanes with a recording system.

The requirement for recording the additional data would have applied to large airplanes that are certificated for operations above 25,000 feet altitude or are turbine engine powered regardless of type certification date. After consideration of all the information presented, the FAA decided to require the recording of the additional data only on large airplanes for which a type certificate is issued after September 30, 1969, that are turbine engine powered or certificated for operation above 25,000 feet altitude.

Because of technological advancements made regarding FDR's, the FAA is in the formal rulemaking process to require these aircraft to be retrofitted to 11 parameters for existing aircraft and 17 parameters for all newly manufactured aircraft.

Although the FAA does not require the recording of aircraft performance data, as we do not have a mandate to do so; each operator is free to develop his/her own system of aircraft performance tracking for the purpose of aircraft maintenance, and most have done this. This freedom has allowed the carriers to take immediate advantage of technological change. Further, over time, this advantage has had the effect of providing the public with a safer operating environment while operators acquire significant savings in equipment operation.

The following chart reflects the parameters that each of these nations record.

	U.K	U.S. FOIL	U.S. 17 Pars.	GERMANY	CANADA	FRANCE
TIME	X	X	X	X	X	X
PRESSURE ALT.	X	X	X	X	X	X
AIRSPEED	X	X	X	X	X	X
HEADING	X	X	X	X	X	X
VERTICAL ACCEL.	X	X	X	X	X	X
OUT-OF-TRIM				X	X	
PITCH	X		X	X	X	X
ROLL	X		X	X		X
RADIO KEYING		X	X	X		X
PWR EACH ENGINE	X		X	X	X	X
FLAP SETTING	X		X	X		X
SLAT SETTING			X	X		X
THRUST REVERSER			X	X		X
SPEED BRAKE						
OUTSIDE AIR TEMP.					X	
LONG ACCEL.						X
LATERAL ACCEL.			X	X		X
SURFACE (PRIM.) POSITION			(3)X	(3)X	(4)X	(3)X
PITCH TRIM			X	X		X
AUTO PILOT ENGAGE					X	X
RADIO ALT.						X
GLIDE PATH DEVIAT						X
LOC PATH DEVIAT						X
MARKER BEACON						X
ANGLE ATTACK						X

NEW AIRPORT TRAFFIC CONTROL TOWERS

SENATOR ANDREWS: The Committee notes that you are requesting $8.5 million to establish 4 airport towers: (pg. 147 of justification) Prescott, Arizona; Fort Pierce, Florida; Dillingham, Alaska; and San Luis O'Bispo, California. Please explain the specific crtieria used to establish towers at each of these locations (e.g., operational requirements, benefit cost analysis, etc.).

ANSWER: The 4 locations identified above qualified as candidates for FAA control tower service by satisfying the numerical equation which constitutes Phase I of Airway Planning Standard Number 1. These criteria are based primarily on airport traffic activity which is classified as air carrier, air taxi, general aviation, military, and local airport operations. These candidate locations are then subjected to Phase II benefit/cost analysis. This analysis compares user benefits to the estimated cost of installation, operation, and maintenance of these control towers.

Two locations, Prescott, Arizona, and Fort Pierce, Florida, satisfy both Phases I and II of these requirements. Dillingham, Alaska, and San Luis O'Bispo, California, do not fully satisfy the Phase II Benefit/Cost criteria, but are recommended based on special operational requirements.

Dillingham Airport is located in remote southwest Alaska. The air traffic activity at Dillingham consists of air carrier turbo-jet, commuter propeller driven, commerical turbo-prop and float plane aircraft. This activity has been increasing over the past couple of years and this increase is forecast to continue.

San Luis O'Bispo Airport is located near the coast, midway between San Franscico and Los Angeles. The air traffic activity consists of a mix of business jets and propeller driven single and twin engine aircraft, many of which are used in student pilot training. This traffic activity generates a congested operation at and in the vicinity of the airport.

SENATOR ANDREWS: Will these towers be contracted out?

ANSWER: A policy is being developed in conjunction with the contract tower program concerning the contractual operation of newly established FAA control towers.

JOINT USE AIRPORTS

SENATOR ANDREWS: How many airfields have been designated by the Department of Defense and FAA for joint military/civilian use?

ANSWER: The Department of Defense has exclusive authority over joint use of its airfields. It permits joint use at 24 of its 233 domestic military airfields, and has indicated a willingness to consider joint use at another four locations.

SENATOR ANDREWS: To what extent has civilian traffic been diverted to military airfields and vice versa? What is the FAA budget impact of joint use designations?

ANSWER: Less than one percent of all civil airline enplanements occur at joint-use airports, and less than 500 general aviation aircraft are based at the 24 joint-use airports. Many civil airports have military units based at them, including 62 that have Air Force Reserve or National Guard units as tenants. Military aircraft make some use of most major civil airports. Over two million military operations were counted in 1982 at airports with FAA operated air traffic control towers.

Joint use has not had a substantial effect on the FAA budget, and is not expected to in the future.

JOINT AIRPORT WEATHER STUDIES

SENATOR ANDREWS: What is the status of the Joint Airport Weather Studies research effort? How much are you spending this fiscal year and requesting for next year to support this joint effort? What is being contributed by NOAA and NASA? Might this effort to identify wind shear before takeoff and landing be obsolete once the next generation weather radar (NEXRAD) comes on line?

ANSWER: The Joint Airport Weather Studies Program is in the second year of a three-year analysis effort. The program should terminate by the end of 1985. The activities this year are addressing the following areas:

- Basic examination of microburst physics and definition of the microburst.
- Recommendations for improved Low Level Wind Shear Advisory System algorithms and station siting.
- Identification of microburst precursor conditions, both observation and forecasting, to provide guidance material to FAA for NEXRAD.
- Supporting the development of improved flight simulator wind shear models and pilot awareness programs.

The FAA contributed $300,000 in FY 84 and plans to contribute $50,000 in FY 85 to the Joint Airport Weather Studies Program. NASA is contributing $70,000 in FY 84 and $70,000 in FY 85. NASA also contributes support in the form of test aircraft and flight simulator facilities and related support. NOAA is not contributing financially, however, there is cooperation and indirect support through the Environmental Research Laboratories. This effort is primarily basic research into the phenomena of wind shear and some application of the findings to the cause of aviation safety using today's systems. The work is directly transferrable to NEXRAD algorithm development activities and forecasting techniques development.

NATIONAL PLAN OF INTEGRATED AIRPORT SYSTEMS (NPIAS)

SENATOR ANDREWS: In September 1984, you should be publishing the revised National Airport System Plan -- now known as the National Plan of Integrated Airport Systems. Are you going to meet the September date? If not, why not?

ANSWER: The preparation of the National Plan of Integrated Airport Systems is underway and we expect to publish it in September 1984.

SENATOR ANDREWS: Have you revised the entry criteria? If so, why and how is it different?

ANSWER: The major change to the entry criteria was to permit the designation of reliever airports for instrument training purposes and to allow more existing airports to qualify as relievers. This change is consistent with the definition of reliever airport in the Airport and Airway Improvement Act of 1982. It will result in a more extensive and effective system of reliever airports.

SENATOR ANDREWS: Have you made any determinations thus far in the NPIAS on the relationship to airports of developments in other modes of intercity transportation?

ANSWER: We continue to monitor developments in other modes of transportation. However, our airport plan looks only ten years into the future, so there are limited prospects for dramatic changes in travel patterns. We obtain valuable insights into the subject through our support of state, regional, and metropolitan airport system planning. The trends in passenger choice of automobile, buses, and trains are also reflected in our aviation activity forecasts.

SENATOR ANDREWS: On page 48 of the Operations justification you report 3,680 airports in the NPIAS for FY 1985. How did you arrive at this number? Is this what we'll see in the NPIAS?

ANSWER: The number of airports shown is the sum of the existing and proposed airports that meet current entry criteria for the plan. FAA, DOT, and OMB are presently reviewing the format and content of the NPIAS to be published in September. If entry criteria do not change, we expect that the plan will include approximately the same number when it is published.

GRANTS-IN-AID

SENATOR ANDREWS: Your Budget (pg. 109) reflects an unobligated balance of almost $265 million going into FY 1985. How much of this is related to prior year apportionments for airport development projects? Was any of this "Jobs Bill" money? What year were the funds originally apportioned and when would the funds convert to discretionary status under the provisions of Section 508(a)?

ANSWER: Of the $264,763,000 unobligated balance, $243,500,000 represents the difference between the amounts authorized for the Airport Improvement and Surface Transportation Assistance Act programs and the program levels provided by Congress during the appropriation process.

The other $21,263,000 is primarily related to prior year apportionments which are expected to be obligated prior to the date when they otherwise would convert to discretionary status under provisions of Section 508(a).

There is no unobligated balance of "Jobs Bill" funds, as they were fully obligated in FY 1983.

SENATOR ANDREWS: Section 506(e)(4) provides statutory authority to obligate prior year unobligated primary and state apportioned balances --- within the 3 years of its availability before it converts to discretionary. Why then are you proposing FY 1985 appropriations language that does not provide for obligation of these carryover funds?

ANSWER: For FY 1985, we are requesting $987.0 million, the highest amount ever requested for airport grants in the history of the Federal grant program. Within this high level we will be able to fund carryover entitlements, if requested, without need for addi-

tional obligational authority. The impacts of funding for carryover entitlements are usually offset because other sponsors choose to defer use of current year entitlements.

PRIORITIZING AIRPORT GRANTS

SENATOR ANDREWS: According to your justification (pg. 113), safety and security is the highest priority in determining airport grants. How do your prioritize the safety considerations of aircraft operating surfaces?

ANSWER: The safety considerations of aircraft operating surfaces are prioritized according to the idea that the aircraft touchdown point is the highest priority, and the longer and slower the aircraft rolls, the lower the priority. Therefore, runways are the highest priority item followed in order by taxiways and aprons.

GRANT FUNDS FOR MASTER PLANNING

SENATOR ANDREWS: According to your justification grant funds are provided for master planning at high activity locations. Are these projects of higher priority than planning funds for lesser activity locations? What was the FY 1983 and first 6 months of FY 1984 activity for master planning and to what locations? Are there pending applications on file for master planning at high activity locations? Please provide a list of these pending applications for the record.

ANSWER: The requests for funds for airport master planning exceed the amount expected to be funded. Highest priority projects are funded first. In FY 1983, 92 projects were approved for $5.0 million Federal funds. In FY 1984, to date, we have approved 10 projects for $0.5 million. There are 10 requests at nine high activity locations pending for a total of $1.1 million.

FY 1983 Master Planning Grants

Airport Name/Location	Federal Funds
New Leeds, AL.	$25,000
Saline Co. Benton, AR.	19,500
Intermountain Region Mena, AR.	31,491
Searcy Muni. Searcy, AR.	33,300
New Tuba City, AZ.	11,383
Ramona Ramona, CA.	54,279
Rio Vista Muni. Rio Vista, CA.	91,328

Airport Name/Location	Federal Funds
Riverside Muni. Riverside, CA.	$50,583
Temecula (New) Temecula, CA.	58,500
Castle Rock (New) Castle Rock, CO.	44,865
Kissimmee Kissimmee, FL.	41,877
Oscala Muni./Jim Ocala, FL.	33,262
Vero Beach Muni. Vero Beach, FL.	60,000
New Douglasville, GA.	78,300
New Lafayette, GA.	29,538
Lewis B. Wilson Macon, GA.	78,262
MC Collum Marietta, GA.	97,200
Dubuque Muni. Dubuque, IA.	18,000
Challis Challis, ID.	23,220
Lakefront New Orleans, LA.	78,048
Allen Parish Oakdale, LA.	22,500
Gardner Muni. Gardner, MA.	29,430
Nantucket Memorial Nantucket, MA.	50,000
New Bedford Muni. New Bedford, MA.	23,143
Orange Muni. Orange, MA.	39,600
Plymouth Muni. Plymouth, MA.	34,650

Airport Name/Location	Federal Funds
College Park College Park, MD.	$39,939
Westminister Westminster, GA.	33,318
Auburn-Lewiston Muni. Auburn-Lewiston, ME.	41,490
Biddeford Muni. Biddeford, ME.	49,500
Dexter Reg. Dexter, ME.	18,000
New Farmington, ME.	26,781
Northern Aroostook Reg. Frenchville, ME.	41,400
Bishop Flint, MI.	101,430
Devils Track Muni. Grand Marais, MN.	25,000
New Vicksburg, MS.	27,000
Franklin Co. (New) Louisburg, NC.	60,075
Bridgeport Bridgeport, NJ.	32,391
Cross Keys Cross Keys, NJ.	34,849
Princeton Princeton, NJ.	50,062
Mercer Co. Trenton, NJ.	70,000
Albuquerque Int'l. Albuquerque, NM.	114,674
Cannon Int'l. Reno. NV.	105,468
Reno Stead Reno, NV.	105,469
Edwin A. Link Binghamton, NY.	64,784

Airport Name/Location	Federal Funds
Ontario County Canandaigqua, NY.	$71,789
Canastota Canasta, NY.	45,095
New Johnstown, NY.	70,200
Piseco Muni. Piseco, NY.	36,203
Southold (New) Town of Southold, GA.	56,501
Strongsville Airpark Strongsville, OH.	62,893
Neil Armstrong Wapakoneta,OH.	27,000
Grove Muni. Grove, OK.	44,190
Clarence E. Page Oklahoma, OK.	27,000
Wiley Post Oklahoma, OK.	71,010
Will Rogers World Oklahoma, OK.	126,150
Pryor Pryor Creek, OK.	33,210
Shawnee Muni. Shawnee, OK.	49,995
Bend Muni. Bend, OR.	11,836
Chiloquin State Chiloquin, OR.	8,532
Christmas Valley Christmas Valley, OR.	10,251
Pendleton Muni. Pendleton, OR.	13,500
Clarion Co. Clarion, PA.	32,575
Doylestown Doylestown, PA.	27,237

Airport Name/Location	Federal Funds
Harrisburg Int'l. Middletown, PA.	$129,600
Quakertown Quakertown, PA.	27,237
Wilkes-Barre Wyoming Valley Wilkes-Barre, PA.	39,021
Quonset State North Kingston, RI.	130,025
Smyrna Smyrna, TN.	20,992
Austin Executive Austin, TX.	41,127
Cleveland Muni. Cleveland, TX.	29,700
Public Use Heliport (New) Dallas, TX.	90,000
Freeport Heliport (New) Freeport, TX.	36,000
Live Oak Co. (New) George West, TX.	31,500
Ellington Field Houston, TX.	112,500
La Porte Muni. La Porte, TX.	32,994
East Texas Regional Nacogdoches, TX.	34,200
Arkansas Co. Rockport, TX.	27,027
San Antonio Int'l. San Antonio, TX.	64,500
Pounds Field Tyler, TX.	45,000
Tooele Valley Tooele, UT.	43,560
Chesapeake Muni. Chesapeake, VA.	27,000

Airport Name/Location	Federal Funds
New River Valley Dublin, VA.	$25,842
Richard Evelyn Bird Int'l. Richmond, VA.	234,000
Crest Airpark Kent, WA.	28,247
Tri-Cities Pasco, WA.	51,000
Henry M. Jackson Int'l. Seattle, WA.	180,000
Felts Field Spokane, WA.	120,102
Spokane Int'l. Spokane, WA.	325,642
City-County Walla Walla, WA.	12,060
Yakima Air Terminal Yakima, WA.	36,000
Afton Municipal Afton, WY.	27,000
Total	$5,025,932

FY 1984 Master Planning Projects Thru March 31, 1984

Airport Name/Location	Federal Funds
Forrest City Muni. Forrest City, AR.	$ 26,663
Melbourne Melbourne, AR.	47,496
Albert Whitted St. Petersburg, FL.	67,500
Lewis B. Wilson Macon, GA.	78,262
Mansfield Muni. Mansfield, MA.	25,020
New Island Falls, ME.	20,898
Charles Co. La Plata, MD.	74,648
Las Cruces-Crawford Muni. Las Cruces, NM.	58,949
Purcell Municipal Purcell, OK.	45,000
New Eagle Pass, TX.	45,000
Total	$ 489,436

Master Plan Preapplications at High Activity Locations

Airport Name/Location	Federal Funds
San Jose Municipal San Jose, CA. (two requests)	$ 63,000 160,000
Tampa International Tampa, FL.	263,328
Vandenberg Tampa, FL.	112,596

Master Plan Preapplications at High Activity Locations (continued)

Airport Name/Location	Federal Funds
Larned-Pawnee Co. Pittsburg, KS.	150,000
New Orleans Int'l. New Orleans, LA.	38,025
Dayton General Dayton, OH.	90,000
Lima Allen Co. Lima, OH.	63,495
Richard Lloyd Jones, Jr. Tulsa, OK.	58,500
Montgomery Co. Conroe, TX.	54,738
Total	$ 1,053,682

AIP FUNDS TO METROPOLITAN WASHINGTON AIRPORTS

SENATOR ANDREWS: Has the Department considered legislation providing airport improvement funds to the Metropolitan Washington Airports especially in light of FAA's plans for a terminal addition at Dulles?

ANSWER: This has not been considered.

ABILITY OF AIRPORTS TO BE SELF-SUSTAINING

SENATOR ANDREWS: As a condition to approval of an airport development grant, the airport sponsor must provide assurance that the airport fees will make the airport as self-sustaining as possible. (Section 511(A)(9) of the Airport and Airway Improvement Act of 1982). What assurance does FAA have that Federal airport grant funds are not being used to make the airport self-sustaining?

ANSWER: Federal airport grant funds are given to airports for specifically stated development or planning projects. Our field people insure that these funds are properly used to carry out the work described in the grant. Insofar as the Federal funds replace local funds which the sponsor would otherwise use for the project, those local funds are freed for use in sustaining the airport. All grantees are required to make assurances that revenue generated by the airport is expended for capital or operating costs of the airport, and that a fee and rental structure shall be maintained to make the airport as self-sustaining as possible.

ECONOMIC BENEFIT OF AIRPORT GRANT PROGRAM

SENATOR ANDREWS: In last year's House testimony (pg. 491) Mr. Helms' said he had not yet "formalized" a study effort on the economic benefits that the airport grant program produces. Has the FAA "formalized" the effort yet? When can we expect to see the results of the study?

ANSWER: The FAA has not yet formalized such a study. We have found this to be a most difficult area in which to develop reliable information, and we have not yet decided whether such an evaluation is achievable. As a possible starting point, however, we are about to undertake a study to develop procedures and techniques for examining the economic impact that local airports have on their communities. When this study is concluded, we will determine if such procedures and techiques could be useful in performing an evaluation of the effectiveness of our program. In a slightly different vein, we have taken action to further assure that grant funds expended under our program are allocated in the most cost effective manner. Through our Airport Improvement Program priority system, we are able to make decisions on the relative national priority of projects proposed during the year. Under our priority system, projects are favored which best carry out the purpose of the Airport and Airway Improvement Act, with emphasis on those projects which improve safety and assure the integrity of the national airport system.

UNLIQUIDATED OBLIGATIONS -- AIRPORT GRANTS

SENATOR ANDREWS: In the FY 1984 Budget request you were estimating FY 1983 outlays at $527 million; with a program level of $654 million. The actual FY 1983 obligations went up by 20% (to $789 million) resulting largely from the Jobs Bill increase, but instead of a corresponding increase to outlays, they dropped by 14% (to $453 million). Please explain the lag in outlays. Since FY 1985 shows a $1.5 billion unliquidated obligation at the end of FY 1985, do we assume that the outlay trend will continue?

ANSWER: With the late enactment of authorizing legislation in both FY 1981 and FY 1982, the airport sponsors required additional time to translate the grant agreements into actual construction contracts with contractors. This in turn slowed the normal rate at which construction is accomplished. Since outlays are progress payments, the outlay pattern has fallen below historical experience.

For FY 1985 we are projecting a gradual increase in the rate of outlays - yet remaining below historical levels. Although our outlay experience to date in FY 1984 suggests a modest increase in the rate of outlays, there is as yet insufficient evidence to warrant increasing our FY 1985 outlay projection.

SENATOR ANDREWS: Have you reviewed the pattern of grant outlays in relation to the Grace Commission findings and recommendations on cash management? (Page 57 of Grace Commission Report).

ANSWER: This recommendation was reviewed by the Department for DOT-wide cash management procedures. The Treasury Department has now assumed the lead for a Government-wide cash management review based on the Grace Commission recommendations. Future DOT/FAA savings will be dependent on new procedures which will be implemented as a result of the Treasury Department's findings.

NUMBER OF AIRPORTS

SENATOR ANDREWS: Why the difference in the number of 1982 and 1985 airports reflected on page 127 of the Facilities and Equipment justification and the 1982 and 1985 airports shown on page 48 of the Operations "justification? Did one office develop the Operations number and another office develop the F&E numbers? Please explain how the numbers were developed?

ANSWER: The number of airports for 1982 and 1985, 3,650 and 3,680, respectively, found on page 48 (Operations) represent the airport locations in the National Plan of Integrated Airport Systems (NPIAS). As such, they are a combination of existing airports, about 3,200, and proposed airports, about 450.

The F&E figures for 1982 and 1985, 3,195 and 3,400, respectively, were derived from the NPIAS, but reformated for the National Airspace System Plan. In the translation, the "base" became existing airports (3,195), and the 1985 figure of 3,400 was based on interpolation with the more optimistic projections found in the out-years of the Airspace Plan.

We believe that the NPIAS numbers from page 48 are the more useful for workload indicators.

SENATOR ANDREWS: Should there not be a commonality in the numbers, especially in the base number of existing airports?

ANSWER: We agree there should be better commonality in the base number of airports. Subsequent year budget justifications will reflect this commonality.

INSTALLATION AND MATERIEL

SENATOR ANDREWS: The Budget (pg. 42-9) requests a $1,078,000 increase for "ongoing repair and maintenance"; and on page 42-10 you show a program decrease of $849,000 for "non-recurring repair and maintenance". What projects are included in the ongoing category and what projects are non-recurring?

ANSWER: The ongoing projects are items such as floor covering replacement, repairs to building fixed equipment, recurring maintenance to utility monitoring systems, removal of asbestos ceilings and a continuing program to make all buildings usable by handicapped persons. The non-recurring projects are heating system alterations, air conditioning improvements, construction of a flightline equipment shelter and reconstruction of an airfield drainage catch basin.

GS-11 THROUGH 15 REDUCTIONS

SENATOR ANDREWS: The budget assumes a $6.7 million decrease in Operations related to a reduction in the numbers of grades GS-11 through 15. How did you arrive at this number? How many direct positions, by grade and subactivity, does this affect? Are these all filled positions?

ANSWER: The amount represents the FAA's portion of a departmental target and reflects the Secretary's commitment to the administration's efforts to shrink the bulge in grades 11-15. Specific reductions by program have not been identified but will be as FY 1985 approaches. We would expect to take the reductions from unfilled positions.

SENATOR ANDREWS: Will a reduction-in-force be necessary?

ANSWER: No

SENATOR ANDREWS: The budget does not reflect any GS-11 through 15 dollar reductions for the 1,807 position in the Facilities and Equipment, and Research, Engineering and Development programs. Why not?

ANSWER: Ninety-six percent of the grades 11-15 are in the Operations appropriation, so the possibilities for reduction are greater in this appropriation than in either Facilties and Equipment, or Research, Engineering and Development.

OPERATIONS WIGS AND GRADE-TO-GRADE

SENATOR ANDREWS: The Operations justification requests over $42 million for FY 1984 annualization and 1985 non-discretionary within-grade and grade-to-grade increases for 41,826 employees. It appears that each year about half of the Operations staff gets some kind of promotion. Is this typical for prior years?

ANSWER: The only promotions which can be budgeted are grade-to-grade promotions in the Air Traffic and Systems Maintenance activities. In order to rebuild the air traffic controller system as rapidly as possible, OPM waived the time-in-grade for air traffic controllers during FY 1983 and 1984. As a result of this waiver these accelerated promotions resulted in a significant increase in each of these years. In FY 1983, approximately 61% of the Operations workforce received a promotion or a within-grade and the same is expected for FY 1984. In a "normal" budget year, approximately 50 percent of Operations employees receive either a promotion or within-grade.

SENATOR ANDREWS: How much of the $42 million is related to grade promotions?

ANSWER: Approximately $14 million is for annualization of FY 1984 grade-to-grade promotions and approximately $11 million is for new grade-to-grade increases. Approximately $17 million is associated with annualized and new within grade increases.

SENATOR ANDREWS: How many of the grade promotions are in the GS-11 through 15 range? How do you justify the promotions vis-a-vis the government-wide effort to reduce GS-11-15's?

ANSWER: An estimated 70% of the grade to grade promotions will be in the GS-11-15 range. They are in the Air Traffic controller and system maintenance technican area. The positions are graded according to OPM classification standards based on quantifiable criteria. When a controller or technician is eligible, the promotion is non-discretionary. To attempt to reduce these grades or to delay the promotions could threaten the safe operation of the system. If a GS-11 controller is needed for a certain job, safety would not be well served by substituting a GS-9. Even so, the FAA has succeeded in reducing the grades and people needed to operate the national airspace system. The advent of structured staffing has contributed to this effort. So has the agency's decision to hire former pilots as flight data processors to do work not requiring a controller in the centers and towers. We will continue to attempt improvement of the efficiency of our operation without affecting safety.

SENATOR ANDREWS: Please provide for the record for each of the fiscal years 1980 through 1983: the budgeted number of within-grade and grade-to-grade promotions and associated funding; and the actual number of within grade and grade-to-grade promotions and associated funding.

ANSWER:

BUDGETED

	WIGS	Grade-to-Grade	Amount
1980	19,678	5,797	$15,206,000
1981	20,500	6,554	15,286,000
1982	28,778	5,904	21,272,000
1983	20,192	4,839 1/	16,199,000

ACTUAL

	WIGS	Grade-to-Grade	Amount 2/
1980	28,375	5,170	
1981	27,083	2,096	
1982	18,409	2,890	
1983	19,942	7,021	

1/ FY 1983 budget didn't consider accelerated promotion plan.
2/ Data not available. Our accounting system captures obligations by object class and activity. Personnel costs are not distinguished by WIGS or promotions.

INFORMATION RESOURCES MANAGEMENT PLAN (IRMP)

SENATOR ANDREWS: What projects under the umbrella of the IRMP have been implemented to date? What is planned for implementation in FY 1985? Are these on schedule?

ANSWER: The following projects under the IRMP umbrella are being implemented this fiscal year.

- Metropolitan Washington Airports Operations System
- Streamline F&E Call for Budget Estimates
- Upgrade and Expand Automated F&E Budget System
- Labor Relations Subsystem
- FAA Technical Center Program Management System
- Standards for Acquisition and Use of Microprocessors
- Establish a Microprocessor Prototype Facility
- ADP Familiarization (Computer Literacy)
- Information Resources Management Training for Managers

A large number of IRMP projects will be completed during FY 1985. Some of the more significant projects are: Completion of the Software Applications Conversion to the new regional computers and initiation of the operation of several of the Aviation Safety Systems such as the Enforcement Information System and the Instrument Approach Procedures Automation. We will also provide project tracking software and data processing hardware/software utilization systems as we provide tools for our users and maintain accountability for our resources.

SENATOR ANDREWS: When does FAA expect to see the beginning of the savings that is referenced on page 68 of the Headquarters Administration request? (Pg. 68 estimates $279 million savings through the year 2000.)

ANSWER: FAA is in the development phase with the IRMP and up-front funding is necessary before savings begin. Savings will begin in 2 years and peak in the 1990's.

SENATOR ANDREWS: Has FAA initiated any oversight to regularly monitor and assess the progress of the projects in the plan?

ANSWER: Yes. Since FAA published the IRMP in August 1983, considerable effort has been directed at establishing policy and organizational structures to support the total information resources management concept. Some significant milestones are:

1) Designation of an Information Resources Manager (IRM) for each organizational element reporting to the Administrator.

2) Establishment of an Information Resources Management Program Office (IRMPO).

3) Convening the IRMs and the IRMPO to develop and recommend policy and procedures for IRM matters.

4) Extensive coordination of a new IRM order that establishes an executive committee of the Administrator and top agency executives along with quarterly reviews by the IRM committee.

5) Initiation of an update to the IRMP and the formulation of a short-range plan derived from the updated IRMP.

Continued efforts will be directed at finalizing the many concurrent activities and smoothing the procedures that are now being implemented.

ADMINISTRATION OF AIRPORTS PROGRAM

SENATOR ANDREWS: What is the justification for an increase of four positions when the budget says (Pg. 48) that FAA has been accomplishing the increased workload through management initiatives? Why not apply them in FY 1985?

ANSWER: As indicated in the budget submission, program workload in the programming and planning and certification and safety areas as well as the airport grants-in-aid funding levels have increased substantially in recent years. Management initiatives have indeed been applied here with the objective of obtaining increased employee productivity while holding any requested staffing increases to the minimum number possible. Some of our labor intensive areas are being converted to automatic data processing and increased computerization. Performance of certain functions is being done by non-Federal contract employees on a test basis. Procedures have been or are being revised so that available personnel time is concentrated in the highest priority activities. In spite of all these management initiatives, there are limits to these efficiency achievements. A modest increase of four positions is requested in FY 1985 so that we can keep abreast of expanding workload in the most critical areas.

We will continue our commitment into FY 1985 to make every effort to accomplish our program responsibilities with the minimum number of employees consistent with good management.

The Airports program staffing even with the four position request will still be some 30 percent below its 1976 employment peak. Since 1976, two major grants-in-aid laws have been enacted providing large increases in funding levels as well as additional program administration responsibilities. Increased Federal and community interest involving airport environmental concerns, safety considera-

tions and protection of the taxpayers substantial investments in airport development and construction projects have also placed additional demands on our limited staffing.

The agency continues to be sensitive to the Airports program staffing needs and will consider appropriate adjustments to employment levels if conditions warrant such action.

SENATOR ANDREWS: The Information Resource Management Plan assumes efficiencies by applying automated data processing technology to FAA's information needs. How does the plan and its associated efficiencies relate to the Administration of Airports activity? Please be specific.

ANSWER: The Information Resource Management Plan identifies 8 projects in the Administration of Airports activity area. These projects relate to the Grants program, the Airports Certification, Safety and Compliance programs, Airport Data Collection and Airport Planning. These projects will be completed in the next 4 years. We have identified approximately $1.250 million annually in savings in these 8 projects including saved labor and operating costs starting in FY-88. Work years saved by automation, estimated to be 21.5, will be applied to accommodating our increasing workload.

CENTERS AND TOWERS OVERTIME

SENATOR ANDREWS: The budget requests almost $24 million for FY 1985 overtime at centers and towers. Please split out the costs (and hours) for the centers and towers: How does this compare to FY 1983 and FY 1984 overtime costs and hours?

ANSWER: The following table shows actual overtime hours used and costs for centers and towers in FY 1982 and FY 1983, and the amounts budgeted for FY 1984 and FY 1985:

	FY 1982		FY 1983	
	Hours	Cost	Hours	Cost
Centers	997,289	$30,573,600	689,453	$22,350,500
Towers	842,590	22,619,200	469,407	13,143,400
Total	1,839,879	$53,192,800	1,158,860	$35,493,900

	FY 1984		FY 1985	
	Hours	Cost	Hours	Cost
Centers	652,603	$20,557,000	467,726	$15,138,200
Towers	437,593	11,324,900	338,608	8,495,900
Total	1,090,196	$31,881,900	815,334	$23,634,100

SENATOR ANDREWS: Do the FY 1985 overtime hours represent a pre-strike level? If not, then when will overtime be at pre-strike levels? Is the Committee correct in assuming that FAA will not have met the optimum full performance level of controllers by FY 1985?

ANSWER: The FY 1985 overtime hours exceed the pre-strike level by approximately 400,000 hours. We do not expect overtime use to return to pre-strike levels. To achieve pre-strike overtime levels, we would have to staff our facilities at pre-strike levels. It is more economical to use overtime judiciously to supplement lower staffing levels. We expect to reach normal post-strike overtime levels of between 600,000 and 700,000 hours in FY 1986. We expect to reach optimum full performance controller levels by the beginning of FY 1985 in the tower option, and early in FY 1986 in the center option.

CONTROLLER WORKLOAD AND STRESS

SENATOR ANDREWS: Since there continues to be a substantial amount of overtime, has FAA initiated any program to monitor and manage controller workload, stress, and fatigue? Please explain what you are doing in this area.

ANSWER: Several measures have been initiated to monitor the amount of overtime. These indicate that for both supervisors and nonsupervisors in the tower and center options there has been a progressive diminution in the amount of overtime used since the first quarter of calendar year 1982. By contrast, in the flight service station (FSS) option, where staffing has remained relatively constant, there has been no significant change in the use of overtime.

At the FAA's Management Training School, supervisors are given instruction in the detection of signs of fatigue and stress among the employees under their supervision. In addition, video tapes have been prepared at the Civil Aeromedical Institute (CAMI) which have been distributed to all facilities dealing with the detection of fatigue and stress by supervisors and the prevention of fatigue and stress among journeymen. At the FAA Acadamy, air traffic controller recruits are given training in the avoidance of fatigue and stress. The Air Traffic Service has instituted a number of technical procedures - of which flow control is an obvious example - which have reduced congestion in the air and therefore assisted in reducing controller stress situations.

INSURANCE CLAIMS AND INDEMNITIES

SENATOR ANDREWS: The object class exhibit (pg 297) reflects $2,250,000 for Insurance Claims and Indemnities for FY 1985 under the Operation of Traffic Control System Activity. Is this the same $2,250,000 that is justified as tower defederalization phase-in costs on page 38? Please explain.

ANSWER: This is the same amount as shown on page 38 of the justification. The $2,250,000 will provide for the contracting out of Level I VFR towers to cities and municipalities. The contracting will be on a phased-in basis. (The amount was originally shown under object class 4200 and we have since determined that this amount should be shown under object class 2500).

SYSTEMS MAINTENANCE

SENATOR ANDREWS: Page 44 of the justification states that FAA is presently developing workload and performance indicators for new commissionings and equipment changes/upgrades. Please provide these indicators for the record?

ANSWER: We are seeking to develop a better set of workload and performance indicators for both the F&E and the systems maintenance program. We use several representative factors now, such as mean time between outages (MTBO) and mean time to restore (MTTR) for several facility types. However, each of these has limitations with respect to keeping management effectively informed on how well the NAS is operating as a whole entity. We are continuing with analysis work in this performance indicator area and will provide this information in subsequent year budget justifications when adopted.

SENATOR ANDREWS: The budget (pg. 44-4) requests an additional 118 permanent change-of-station moves for $1,104,000. How many of these moves are related to new FY-1985 facility commissionings? Of the $5,763,000 and 530 moves in FY-1984, how much is related to facility commissionings? Please explain the rationale you used to arrive at the numbers of moves for 1984 and 1985.

ANSWER: Permanent change of stations (PCS) are accomplished for a variety of reasons such as reorganization, sector consolidation, promotions, and facility commissionings. PCS moves are a function of workload requirements and the availability of job skills to meet these ever-changing requirements. Most of the 118 PCS moves are due to normal attrition and the associated need to backfill many of these positions. The rationale used to arrive at the numbers of moves for 1984 and 1985 was to review projected attrition, planned consolidations, skill imbalances, and facility commissionings. It is not possible to relate PCS moves to any one of these categories to the exclusion of the others.

SENATOR ANDREWS: Under what circumstances were some facilities previously rent-free? (Justification, pg. 44-4) How many other facilities are currently rent-free and how long do you expect they will remain rent-free?

ANSWER: The $1,642,000 (pg. 44-4) for increase of rental cost includes $200,000 for rent-free space. In the past, the Airport Act of 1946 required the airport sponsor to provide rent-free space. In 1961 the requirement for the sponsor to provide rent-free space in future grant agreements was dropped; however, sponsors were obligated to continue to provide the rent-free space for a period of 20 years from the date of the grant with the rent-free provision. Therefore, the sponsor's obligation to provide rent-free space (because of a grant provision) ended no later than 1981. Subsequent to 1981, many sponsors have continued rent-free space on a mutually agreeable basis. The number of rent-free leases is 138, and they expire at various times between now and 2002.

CONSTRUCTION, MWA UNOBLIGATED BALANCES

SENATOR ANDREWS: Your budget reflects an unobligated balance of almost $10 million at the end of FY 1983. Please provide a list of projects that comprise this balance, the total amount made available for the project, the unobligated balance through the second quarter of FY 1984, and the status of the project.

ANSWER: The information follows.

CONSTRUCTION, MWA UNOBLIGATED BALANCE

Washington National Airport	Total Funds Made Avail.	Unobligated Balance as of 3/31/84	Status of Project
Construct Extended Runway Safety Area	$10,540,000	1,539,110	Construction contract awarded 4/83. Funds reserved for change orders and contractor claims.
Modify Industrial Waste Treatment Plant	200,000	190,000	Design underway.
Replace Roof, Main Terminal	300,000	265,000	Estimated date for award of design contract is 4/84.
Rehabilitate Fire Protection Systems	650,000	650,000	Design underway. Estimated date for award of construction contract is 7/84.
Rehabilitate Apron and Taxiways, Phase II	2,000,000 *	1,723,000	Estimated date for award of construction contract is 5/84.
All Other		54,181	Funds reserved for projects already under contract to cover the cost of change orders and contractor claims.
TOTAL WASHINGTON NATIONAL AIRPORT	$13,690,000	$ 4,421,291	

* Plus $2,200,000 appropriated in FY 1984.

CONSTRUCTION, MWA UNOBLIGATED BALANCE

Dulles International Airport	Total Funds Made Avail.	Unobligated Balance as of 3/31/84	Status of Project
Update Master Plan	$ 1,665,000	$ 242,994	Master Plan scheduled for completion in late summer of 1984.
Expand Baggage Claim Area	595,000 *	533,625	Estimated date for award of construction contract is 6/84.
Section Five of the Access Highway	33,100,000	1,586,092	Connector highway completed. Landscaping scheduled for completion in June 1984. Reprogramming of $1.5 million pending for Dulles Terminal Addition.
Rehabilitate Escalators	200,000	200,000	Estimated date for award of construction contract is 5/84.
Energy Savings Projects	1,340,000	1,125,000	Design being finalized. Estimated date for award of construction contract is 7/84.
Improve Access for Handicapped	450,000	80,382	Construction contract awarded in 2/84. Change orders pending.
TOTAL DULLES INTERNATIONAL AIRPORT	$37,350,000	$3,768,093	
TOTAL METROPOLITAN WASHINGTON AIRPORTS	$51,040,000	$8,189,384	

* Plus $580,000 appropriated in FY 1984.

NATIONAL AIRPORT SCATTER PLAN

SENATOR ANDREWS: Provide a summary of results from the scatter plan.

ANSWER: Data collected during the scatter plan test are currently being compiled. A report will be issued this summer containing the compiled information. In the meantime, jets departing National Airport are again using pretest flight patterns.

A significant number of calls and letters were received during the test period, 840 letters and 18,653 phone calls, with the ratio running approximately 3 to 1 against scatter.

AIRCRAFT PURCHASE LOAN GURANTEE

SENATOR ANDREWS: The statutory authorization to guarantee new aircraft purchase loans expired in October 1983, and you are not proposing any new loan authority or commitments for FY 1984 or FY 1985. Why is FAA getting out of the loan guarantee business?

ANSWER: This Administration has always opposed Government intervention in the marketplace unless it is absolutely necessary. We believe that private sources are providing the necessary equipment purchase loans because the vast majority of airlines did not use the program after deregulation and the airline industry did not press for its renewal. Therefore, we did not request renewal of budgetary or legislative authority for the program, and the Congress did not see fit to extend the program on its own.

SENATOR ANDREWS: Please provide a list of the outstanding loan guarantees.

GUARANTEED AIRCRAFT PURCHASE LOANS AS OF 3/31/84

Airline	Loan Number	Guaranteed Portion of Outstanding Balance ($000)
Air California	150,135	$ 32,206.3
Alaska Airlines	035,047,054	6,505.6
Aloha Airlines	052,071,090,101	34,123.9
Hawaiian	073	65,406.0
Midway	088	17,366.4
Muse Air	133	30,442.5
New York Air	134	22,315.5
Ozark	055	3,410.3
Pacific Southwest	078,121	78,983.9
People Express	125	41,897.5

GUARANTEED AIRCRAFT PURCHASE LOANS AS OF 3/31/84 (continued)

Airline	Loan Number	Guaranteed Portion of Outstanding Balance ($000)
Piedmont	056,095,130	60,618.0
Republic	039,044,051	19,161.6
Zantop	086	200.5
Air U.S./Excellair	108,129,157	9,265.9
Air Wisconsin	084	2,160.0
Atlantic Southeast	126	884.2
Big Sky Airline	094,112	1,594.1
Britt	093,161	6,859.2
Cascade Airways	144	11,467.0
Chaparral Airlines	165,080,107,119 150	5,521.2
Mid Pacific Airlines	137,164,169	10,624.1
Mississippi Valley	064	2,421.1
Pioneer	111	1,172.2
Pocono	087	2,336.0
Rio	061,122	2,604.0
Scheduled Skyways	072,114	4,442.3
Suburban Airlines	059,109	5,971.0
Tennessee	099	653.5
		$ 480,163.8

ADDITIONAL DEFAULT AUTHORITY

SENATOR ANDREWS: The 1984 appropriations provided a cumulative $175 million to issue notes on defaults through FY 1984. Your budget reflects FY 1983 defaults at $102 million, with no defaults currently projected in FY 1984 or FY 1985. Why then are you requesting an additional $75 million authority through FY 1985?

ANSWER: The number of defaults is essentially unpredictable, so that we take the approach of being financially prepared for the worst case. We must plan to finance the worst case entirely from additional notemaking authority because we may no longer fund defaults from the Operations appropriation; we cannot assume that the Congress will approve the requested liquidating cash appropriation; and, even if the liquidating cash appropriation is approved, the appropriation language may not restore an equivalent amount of notemaking authority.

FY 1983 LOAN DEFAULTS

SENATOR ANDREWS: Please provide for the record a list by airline of the $102.5 million defaulted loans you show for FY 1985. Separately identify principal, interest, and other costs; type of aircraft.

ANSWER: The $102.5 million figure is not an FY 1985 figure. It is the end of FY 1983 figure in the FY 1985 budget. It includes $79 million of outlays and $23.5 million of obligations which were not outlayed in FY 1983, but which at the end of FY 1983, FAA thought would be outlayed in FY 1984 and later. However, subsequent to submitting our FY 1985 Congressional budget requests, the defaulted loans which made up the $23.5 million FY 1983 obligation amount were "cured." The $23.5 million amount for FY 1983 has been deobligated and recovered as an available resource for the current year since an equal or greater amount is expected to be outlayed in the current year. The breakout of the $79 million is as follows:

Airline	Principal	Interest	Expenses	Total
Air Florida	$61,192,568	$11,715,230	$ 0	$72,907,798
Altair			1,877	1,877
Dorado Wings			1,146	1,146
Golden West	5,550,859	538,320		6,089,179
TOTAL	$66,743,427	$12,253,550	$3,023	$79,000,000

SALE OF AIRCRAFT

SENATOR ANDREWS: Your budget shows $68 million in FY 1984 estimated default recoveries. Is this from the sale of aircraft? Do you already have buyers? When will the sales transactions be completed and what will be the disposition of the funds?

ANSWER: Most of the estimated $68 million in recoveries will come from sales of aircraft and the rest from payments for short-term use of the aircraft while we negotiate either the sale of aircraft or a work out of the default. We expect the sale of the former Altair Airlines aircraft to Empire to be completed by the end of May. We had hoped to have four of the Air Florida aircraft sold by the first week in April but negotiations are still underway. There are not definite buyers or dates established for sale of the other aircraft as of early April 1984. When sales transactions are completed, sales proceeds are used to reimburse the Federal Government and other participating lenders (B noteholders) for expenses, interest, and principal according to their respective interests. The Federal Government's share of the proceeds is deposited in miscellaneous receipts of the Treasury.

SENATOR ANDREWS: Is the Government losing any money on this deal?

ANSWER: We cannot predict whether the Government will ultimately lose money on the deals. Even after sale of the aircraft, normal procedure is to proceed against the defaulting carrier to make up any differences between the amount owed the Government and the amount recovered for sale. Only after conclusion of such proceedings can we determine the true extent of the loss, if any.

SENATOR ANDREWS: What's the current location and disposition of these aircraft? Does FAA hold title to these aircraft and has FAA incurred any additional costs related to the aircraft?

ANSWER: The information follows:

Airline	Location and Disposition Of Aircraft	FAA Title To Aircraft	Additional Costs Incurred by FAA Relative to Aircraft
Air Florida	Being operated by Air Florida from its base at Miami, Florida, in return for periodic use payments by Air Florida to FAA	No	Legal fees, staff travel
Altair	Three of four aircraft being operated by Empire Airlines from its base at Utica, N.Y., in return for periodic use payments by Empire to FAA pending consummation of sale of all four airplanes to Empire.	No	Legal fees, storage, repair and maintenance, insurance, security, advertisements, staff travel
Dorado Wings	In storage at Embry Riddle Aeronautical University, Daytona Beach, Florida, pending ultimate disposition by GSA.	Yes	Legal fees, storage, staff travel
Golden West	In storage at Mississippi Valley Airlines, Moline, Illinois, pending sale by FAA.	No	Legal fees, storage, repair and maintenance, security, advertisements, staff travel

SENATOR ANDREWS: When did the loans default and what were the circumstances by which FAA took possession of these aircraft?

ANSWER: Dates of default are as follows:

Airline	Loan Number(s)	Default Dates
Air Florida	79-1	3/01/83
	79-2	4/01/83
	120	12/31/82
Altair	96	10/15/82
	124	9/30/82
Dorado Wings	97	9/05/82
Golden West	83	3/01/83
Wheeler	76	5/26/81

FAA has not taken possession of the Air Florida aircraft. The FAA's policy is to work with operating carriers to develop a method of recovering the costs of loan settlement. In the case of Air Florida, the carrier has made use payments on the aircraft and is about to consummate a sale of four of the aircraft which will be used to pay back a large portion of monies owed the Federal Government. FAA took possession of the Altair and Golden West aircraft after these companies filed for bankruptcy and ceased operation. This was done to protect the collateral from further deterioration. FAA took possession of the Dorado Wings aircraft as part of the settlement negotiated with the airline. FAA sold the Wheeler airplane at auction and is taking action through the Department of Justice to recover the balances of the money paid at settlement.

SENATOR ANDREWS: As of last year's House hearing you had not yet recovered funds from the 1981 default on a Wheeler Airlines guaranteed loan. Have you now recovered these funds? Are there other outstanding 1981 or 1982 default recoveries due the Government?

ANSWER: There are no other 1981 default recoveries due the Government. FAA has referred the Wheeler Airlines case to the Department of Justice and the Department of Justice has the case under active consideration.

Dorado Wings defaulted in FY 1982 and FAA and the Justice Department worked out the following settlement:

1. Dorado Wings spent $100,000 to return the aircraft to airworthy condition and flew the aircraft to FAA's storage point, Embry Riddle Aeronautical University, Daytona Beach, Florida.

2. Dorado Wings gave FAA a five-year note for $533,700 and is making payments on the note.

FAA is in the process of turning the three airplanes over to GSA for transfer to another Federal agency or state or local government or sale at sealed bid auction with proceeds going to Miscellaneous Receipts of the Treasury.

SENATOR ANDREWS: Last year at this time you had five loan defaults. By the end of FY 1983 this number had more than doubled. Has the deregulation of the airline industry and concomitant increase of new entrants precipitated this increase in defaults? Please explain?

ANSWER: We believe that the bad economic conditions experienced in the airline industry in recent years, not deregulation, have caused the increased number of defaults.

SENATOR ANDREWS: Have there been additional defaults since you sent your 1985 budget to us?

ANSWER: Yes, since the FY 1985 budget was sent to the Congress. Excellair (Air U.S.) defaulted on its three guaranteed loans. Past experience indicates that the airline may cure the defaults prior to settlement of the loan by the FAA.

CONTINUING INTEREST LIABILITY

SENATOR ANDREWS: Does the Government guarantee 100% of the interest on the loan--interest on the guaranteed principle as well as the portion of the principle that is not guaranteed? If so, do we assume that there is a continuing Federal liability for interest until such time that the airline pays off the unguaranteed principle?

ANSWER: The Government guarantees 100 percent of the interest. The exact amount and duration of the Government's liability depend on the applicable terms of the particular guaranteed loan involved. The applicable terms differ somewhat from guarantee-to-guarantee.

SENATOR ANDREWS: Please provide for the record the amount of unguaranteed principle for the currently defaulted loans and the associated interest "B" costs for FY 1984 and 1985.

ANSWER:

Unguaranteed principle	$8,062,076
FY 1984 interest on unguaranteed principle	1,074,736*
FY 1985 interest on unguaranteed principle	1,111,857*

*In some cases, interest payments depend on the interest rate in effect at the time payment is due. In cases of payment not made as of early April 1984, early April 1984 interest rates are assumed to apply. These amounts would be the cost if no part of the unguaranteed principle is paid off in FY 1984 or FY 1985.

FY 1984 AIRCRAFT PURCHASE LOAN GUARANTEE SUPPLEMENTAL

SENATOR ANDREWS: Your FY 1985 budget request includes an $8 million FY 1984 budget authority supplemental for interest on FY 1983 Treasury notes. How did you arrive at this amount? What if the T-Bill rates change?

ANSWER: The $8 million estimate was based on the cost to the Government to borrow money at the time the Budget was prepared. If interest rates go up, more funds will be needed.

AVIATION INSURANCE REVOLVING FUND

SENATOR ANDREWS: On page 103 of your budget you show an estimated $31 million government equity in FY 1984. What is the current balance in the fund? Are there any pending claims? How did you arrive at the $33 million equity estimate for FY 1985?

ANSWER: The balance of the aviation insurance revolving fund as of April 5, 1984, was $29,147,270. There are no pending claims. The $33 million estimate for the end of FY 1985 was developed as follows:

End FY 1983 Balance	$28,067,000
+ Estimated FY 1984 revenues[1/]	2,726,000
- Estimated FY 1984 expenses	148,000
+ Estimated FY 1985 revenues[2/]	2,789,000
- Estimated FY 1985 expenses	147,000
= Estimated End FY 1985 balance	$33,287,000

1/ 9.76 percent average interest rate assumed in FY 1984.
2/ 9.14 percent average interest rate assumed in FY 1985.

CONTINGENT LIABILITY

SENATOR ANDREWS: What is the contingent liability under the aviation insurance fund?

ANSWER: As of April 5, 1984, the total contingent liability was $197,190,994,500 for 408 airplanes.

SENATOR ANDREWS: When was the last time the fund was used to cover insured losses to air carriers under contract to the Department of Defense or Department of State?

ANSWER: There have been claims paid for insured aircraft under contract to the Departments of Defense and State, but no payments have been made from the Aviation Insurance Revolving Fund. All claims have been paid by the Departments of Defense and State under indemnity agreements.

SECURITY SCREENING

SENATOR ANDREWS: The Operations Trust Fund budget (pg. 271) reflects a $5 million unobligated available balance at the end of FY 1983. We assume that these are the funds that were provided to reimburse certified air carriers for expenses incurred for security screening of passengers moving in foreign air transportation. Why were these funds not used? What indication do you have that the carriers will come in for reimbursement in FY 1984?

ANSWER: Audits of claims were still in progress at the end of FY 1983. All claims for the eligibility period have been received. Cutoff date for submission of claims was November 1, 1983.

FY 1984 PAY SUPPLEMENTAL

SENATOR ANDREWS: Does the $42 million you are requesting for FY 1984 Operations pay supplemental fully fund the costs of the January 1984 pay raise? What employment level does it assume?

ANSWER: The $42 million request for the FY 1984 Operations pay supplemental will cover the pay increase as well as the accompanying increases in benefits which were effective in January 1984. The calculation was based on projected Operations appropriation FY 1984 full-time equivalents of 44,212 which included full-time permanent as well as other than full-time permanent and nonceiling employment.

SENATOR ANDREWS: Why have you decided not to absorb some of the FY 1984 pay raise costs?

ANSWER: Congressional reductions to the FY 1984 budget request were $145 million including the transfer of $27 million to the Department of Commerce. The FAA has managed to absorb this amount largely because of reduced employment and FTE goals, program slippage in DECCO, carryover of no year money, and the request for the full cost of the pay raise. In recent years, the FAA has been able to absorb portions of the pay cost for a variety of reasons: estimates of strike recovery have been optimistic and have turned up funds; loan defaults anticipated and/or obligated have not occurred; late year supplementals have freed funds which were being reserved pending legislation. This year we have already applied potential savings to the Congressional reductions. Since our FY 1984 supplemental request, there is also the possibility of required absorption of $6 to $7 million if the additional .5% pay raise is enacted.

SENATOR ANDREWS: What was the total cost to FAA Operations (including Headquarters Administration) for the FY 1983 pay raise and how much was absorbed, i.e., not requiring supplemental appropriations or transfer from another appropriation?

ANSWER: The total cost of the FY 1983 pay cost to the Operations (including Heaquarters Administration) appropriation was $64 million. Our request was for $29.8 million - an amount which reflected the unusual circumstances of FY 1983. Our estimates pertaining to strike recovery had been based on a controller replacement rate that proved to be higher than was experienced in the first part of FY 1983. By absorbing the difference between $64 and $29, we were making a mid-course correction to our estimates. As the year progressed, still more slack developed as the year long freeze and the air traffic replacement rate continued to depress our employment levels. By the third quarter, funds had also developed from slippage in the telecommunications program; thus we were able to absorb an additional $11.7 million for pay costs.

SENATOR ANDREWS: Please provide for the record: Operations (including Headquarters Administration) FY 1984 actual obligations by major object class through March 31, 1984.

ANSWER:

Obligations as of March 31, 1984
($ in thousands)

Object Class	Amount
11 - Personnel Compensation	815,316
12 - Personnel Benefits	165,589
13 - Benefits for former personnel	126
21 - Travel and Transportation of Persons	32,838
22 - Transportation of Things	8,186
23 - Rent, Communications, and Utilities	144,318
24 - Printing and Reproduction	4,447
25 - Other Services	73,067
26 - Supplies and Materials	33,629
31 - Equipment	8,673
32 - Lands and Structures	49
41 - Grants, Subsidies, and Contributions	155
42 - Insurance Claims and Indemnities	-
Total Obligations	$1,286,393

Operations (including Headquarters Administration) actual employment (on-board) by activity as of March 31, 1984.

Operations - Direct
Full-Time Permanent Actual Employment by Activity
as of March 31, 1984

Air Traffic	23,662
Systems Maintenance	10,052
Installation & Materiel	1,379
Aviation Standards - Regulatory	2,185
Aviation Standards - Certification	705
Aviation Standards - Aircraft	774
Civil Aviation Security	218
Medical	196
Airports	430
Development Direction	132
Centralized Training	697
Direction, Staff & Support	1,450
Headquarters Administration	723
Total	42,603

ACCIDENT INVESTIGATION

SENATOR ANDREWS: Does the FAA participate in the NTSB's on-the-scene investigations of general aviation accidents? If not, why not?

ANSWER: Yes, the FAA participates in the NTSB's on-the-scene investigations of general aviation accidents.

The FAA participates in all civil aviation accident investigations, whether or not the conduct of the investigation is delegated to the FAA by the NTSB. The FAA Regional Flight Standards Division Manager is responsible for assuring that all civil aircraft accidents and incidents occurring in the Division's geographic area are investigated by FAA inspectors to the extent necessary to determine and to resolve any FAA areas of responsibility associated with the occurrence. During NTSB-conducted investigations, the FAA, as a party to the investigation, in addition to assisting the NTSB's investigators, conducts an independent investigation with regard to the resolution of areas of FAA responsibility.

CIVIL AVIATION SECURITY

SENATOR ANDREWS: Why is FAA requesting FY 1985 funds (Justification pg. 44-30) for hazardous material testing at the Transportation Systems Center when the Administration has proposed closing down the Center? How much was provided to TSC in FY 1983 and projected for FY 1984 for this testing? Can this testing be done at the Atlantic City Technical Center?

ANSWER: We have requested funds to maintain our portion of the Hazardous Materials Inspection/Surveillance Activity Data Processing Program that TSC has conducted for all modes of the Department since 1981. FAA expended $39,000 for this program in FY 1983 and projected $43,500 for FY 1984. Since the President's budget assumes the closing of TSC, this program will be maintained by contract.

FLIGHT SERVICE STATION STAFFING

SENATOR ANDREWS: Last year this committee noted that because of the important functions of flight service stations, FAA should consider increasing FSS personnel beyond the 4,500 requested and funded in FY 1984. (Senate Report No. 98-179, pg. 28), if FAA could not do this within available funds, the Congress was to be advised. The committee now notes that the FY 1984 FSS positions have been increased to 4,723, (justification, pg. 39R) and apparently has been funded within available resources. What operations activity (or activities were tapped for the 223 positions and associated funding?

ANSWER: The positions and funding were transferred from the terminal option. Our FY 1983 and 1984 budget submissions included positions for temporarily closed control towers which are planned for decommissioning or contracting out. By eliminating these positions, we have reduced FY 1984 terminal position requirements from 11,668 to 11,253.

SENATOR ANDREWS: Please provide FSS permanent employment level as of September 30, 1983, March 31, 1984, and projected FY 1984 end-of-year.

ANSWER: On September 30, 1983, there were 4,453 permanent employees onboard. As of March 31, 1984, there were 4,438 employees onboard. The projected end-of-year ceiling is 4,469 permanent employees.

AVIATION STANDARDS

SENATOR ANDREWS: The Budget (Pg. 44-22) requests $882,000 (over an FY 1984 zero base) for equipment and maintenance to support the Aircraft Registry conversion to microfiche. Have you funded any part of this conversion in prior years? Is this conversion included in the Information Resources Management Plan? At what total cost? Please elaborate on the need for the conversion and provide the workload and performance indicators that you refer to on page 44-16.

ANSWER: In FY-1983, $195.2 thousand was funded for the microfiche conversion, with a remaining $686.8 thousand to be funded in FY-1985.

This project, as it is presently configured, was begun in 1981. As an ongoing project, it was not included in the August 1983 FAA Information and Resources Management Plan.

The Aircraft Registration Records Administration System (AARAS) feasibility study identified certain benefits which would accrue to public users from ARRAS (microfiche conversion), including:

- Simultaneous and faster access to multiple requesters because access is no longer restricted to one requester at a given time.
- Controlled access to the master record will provide greater assurance that aircraft records are not violated or altered.
- File security because the system provides for safe, duplicate copies of all files to be remotely stored, which safeguards against the adverse impact of catastrophic activity.
- Data acountability through automated tracking of documents from receipt through processing.
- Improved service to remote users because duplication will be easier, and microfiche are more transportable and less expensive.

The current status of the conversion project is as follows:

- Total conversion project--279,003 folders or 17,019,200 images.
- Conversion per day--240 folders or 14,400 images.
- Conversion as of March 30, 1984--155,780 folders or 9,502,580 images.
- Conversion completed (based on current workload)--56 percent.

We are in the process of identifying those workload and performance indicators referenced on page 44-16.

FULL FUNDING

SENATOR ANDREWS: The GAO defines full funding as providing "budgetary resources to cover the total cost of a program or project at the time it is undertaken. Full funding is generally discussed in terms of multi-year programs, whether or not obligations for the entire program are made in the first year." (A Glossary of Terms Used in the Federal Budget Process, March 1981, PAD-81-27.) Does the FY 1985 F&E request represent "Full-Funding"? What is the FAA policy on full funding? Does this represent a Departmental position?

ANSWER: The F&E budget request does represent full funding. The FAA and DOT policy on full funding is that "the initial appropriation includes all the funding necessary to procure, install, and commission a specific number of systems, even though the obligation of this funding occurs over a number of years." It should be noted that when a program involves multi-year funding, i.e., funds are requested in more than one fiscal years' budget, each of the budget year requests is in itself fully funded. An example would be a request to fund 19 radars in FY-85 and 10 radars in FY-86. The FY 1985 request would have adequate funds to procure and install 19 complete radars and the FY 1986 request would have funds to procure and install 10 additional radars. Normal procedure would be to award one contract to procure both quantities with the FY-85 equipment portion obligated in FY 1985 and the FY 1986 funded equipment portion obligated in FY 1986. The full funding approach used in the formulation of the F&E budget is prescribed by OMB, fully supported by DOT, and endorsed by GAO.

SMOKE SCRUBBER SYSTEM

SENATOR ANDREWS: The Development, Test and Evaluation request includes $699,000 to establish a Smoke Scrubber System for Buildings 275 and 205 at the Technical Center. What are you currently doing, other than relying on the use of face masks, to alleviate the health hazards?

ANSWER: In addition to the use of breathing apparatus, the following actions have been taken:

1. Annual physicals are required for personnel employed in the fire test cell.
2. Depending on wind direction, adjacent buildings are evacuated during test periods.
3. Follow-on testing is postponed for a period of 24 to 48 hours.
4. Entry into the test bay is restricted to those personnel whose participation is essential to successful completion of the test or for safety reasons, e.g. a chemist to retrieve samples and fire fighters to assure that all fires are extinguished.

The above actions require unacceptable disruptions to working and testing environments. In addition, the excessive amounts of soot and toxic combustion byproducts magnifies cleaning problems and places the agency in jeopardy of violating EPA standards.

SENATOR ANDREWS: Can the smoke scrubber system be funded from unobligated D,T&E F&E prior year funds? If not, why not?

ANSWER: The smoke scrubber system cannot be funded from prior year unobligated D,T&E funds because these funds are required to complete the programs for which they were originally budgeted.

WEATHER SAFETY R&D

SENATOR ANDREWS: FAA had underway the development of an integrated radar system with the capability of displaying weather echo intensity. This effort was deemed necessary to counter the effect of weakened weather signals on aircraft radomes because of rain. What is the status of this development effort? Is such a system in place now? What other major R&D work is underway, either at FAA or the National Aeronautics & Space Administration (NASA) regarding the effects of rain?

ANSWER: The Federal Aviation Administration (FAA) has awarded a major multiyear contract for Airport Surveillance Radar System, model ASR-9, that will contain a weather channel. Initial delivery of the new radar is planned for 1986. It will provide an air traffic controller with display of radar targets and contours of weather intensity levels. National Aeronautics & Space Administration (NASA) is completing a study report for the FAA entitled "Investigation of the Existance of a Surface Water Layer on Aircraft Radomes." It is a NASA research report on aerofoil surfaces and also attempts to answer some National Transportation Safety Board (NTSB) questions on heavy rain related aircraft engine failures.

RESEARCH AND DEVELOPMENT CENTER

SENATOR ANDREWS: Are there any plans to combine the Groton, Connecticut Research and Development (R&D) Center with the Technical Center in Atlantic City? If so, what is the timetable for implementation, what costs are involved, and what would be done with the existing facility?

ANSWER: We have no plans to combine the Coast Guard Research and Development Center at Groton, Connecticut with the FAA Technical Center at Atlantic City, N.J.

SES BONUSES

SENATOR ANDREWS: Please provide for the record the names of personnel and amounts of SES bonuses from FY 1980 to today.

ANSWER: The number and amount of SES performance award bonuses for fiscal years 1980 through 1983 is as follows:

	Number of Awards	Total Amount
1980.....	17	$ 98,000
1981.....	19	107,000
1982.....	19	111,801
1983.....	34	189,500

A specific breakdown by name will be provided under separate cover.

RELIEVER AIRPORTS

SENATOR ANDREWS: A reliever airport is one that provides general aviation services to a community and thus relieves congestion at the commercial service airports. The 1980-1989 National Airport System Plan (NASP) reflected 155 existing reliever airports that met the NASP entry criteria. What is the current number of reliever airports? Is this the number we'll see in the September 1984 NPIAS?

ANSWER: We have increased the number of existing reliever airports to 219 and expect that the plan will include approximately the same number when it is published in September 1984. The increase, which is consistent with the Airport and Airway Improvement Act of 1982, will provide a more effective and extensive system of reliever airports.

SENATOR ANDREWS: Under the provisions of Section 508(d)(1) not less than 10 percent of the funds made available for the Airport Improvement Program shall be distributed to reliever airports. Can the 10 percent minimum funding be satisfied from pure discretionary funding? Or from state airport apportionment funding?

ANSWER: Yes. The total can be satisfied totally from discretionary funding. State apportionment funds can be used, but in practice it is generally limited to less than 5 percent of the total funding for all reliever projects.

SENATOR ANDREWS: Do you have an automated system that tracks airport improvement grants?

ANSWER: Yes, we have an automated system to track airport improvement grants. At present, all input is done in headquarters. Our FAA field offices will begin to input directly beginning either late this fiscal year or early next fiscal year. This will allow us to maintain our data base on a more timely basis.

SENATOR ANDREWS: How much (percentage and dollars) and how many grants were approved in FY 1983 for reliever airports and what portion of the total was from the apportioned category? For FY 1984 through March 31, 1984?

ANSWER: In FY 1983, there were 152 transactions (new grants and adjustments to previous grants) involving reliever funding for a total of $106.2 million. Of these, $101.5 million or 95.6 percent were funded from discretionary funds and $4.7 million or 4.4 percent were funded with state apportionment funds. The following shows the distribution of FY 1983 funds:

Total Financial Transactions at Relievers in FY 1983

	Projects	Discretionary Funds	State Apportionments	Total
Relievers - Publicaly owned	145	98.8	3.7	102.5
Relievers - Privately owned	3	.8	.9	1.7
Relievers - Heliports	4	1.9	.1	2.0
Totals	152	101.5	4.7	106.2

In FY 1984 through March 31, there have been 18 projects approved to date involving reliever funding for a total of $16.8 million. All have been funded with discretionary funds.

INTERFACILITIES COMMUNICATIONS SYSTEM

SENATOR ANDREWS: What is the status of the Interfacilities Communications System Plan, which will link up the entire Department's data and voice communication systems via satellite, ground and radio? When will it be complete?

ANSWER: As this question addresses the entire Department's data and voice communications systems, the inquiry is assumed to be in reference to administrative communications. The administrative communications system plan is scheduled for completion in February 1985.

SENATOR ANDREWS: What is the current total project cost (last year $1 billion).

ANSWER: The Interfacility Communications chapter of the National Airspace System Plan and several closely related projects addressed in other chapters total slightly under $1 billion.

SENATOR ANDREWS: Who will coordinate the dismantling of the more than 70 different telecommunications networks now in the Department--FAA or the Secretary's office? What savings will be realized by eliminating these other networks?

ANSWER: The plan for the Department of Transportation's administrative telecommunications system is still being developed. Assignments of responsibilities and estimates of savings will not be available until the plan is completed in 1985. FAA will continue to be responsible for upgrading of the operational ATC communications systems. For FAA's operational ATC communications systems, an estimated $489-770 million will be saved over the next 15 years.

SENATOR ANDREWS: Has the System Engineering and Integration Contractor started to solidify user requirements and develop systems architecture and meet requirements? If not, when is he expected to complete this task?

ANSWER: The System Engineering and Integration (SEI) contractor will not originate or validate user requirements; that role remains the responsibility of the FAA. However, the SEI contractor will ensure that user requirements are satisfied by the system design for the NAS, and that planned system capabilities are supported by valid user requirements. The SEI Contractor is presently conducting an audit and critical review of the FAA's draft System Design Document, which defines the overall system architecture for the National Airspace System.

OPERATIONS OTFTP

SENATOR ANDREWS: Prior to making your adjustments for the additional air carrier inspectors, how many other than full-time permanent (OTFTP) positions, related FTE and costs did you assume in Operations for FY 1984 and FY 1985? To what Operations activity had you allocated these positions? How did the inspector adjustment affect these numbers? Please provide a table reflecting the FY 1984 and FY 1985 information before and after you adjusted your submission to accommodate the 166 additional inspectors.

ANSWER: Before the air carrier inspector adjustment, the Operations appropriation budget reflected 915 FTE's and $25,674,000 in FY 1984 and 902 FTE's and $24,854,000 in FY 1985 for other than full-time permanent. Positions are not budgeted for this category. The various work schedules, the part-time and intermittent workers make the concept of positions meaningless as a measurement. FTE is the logical mechanism used for allocating other than full time permanent costs.

One hundred OTFTP FTE's were originally in the FY 1984 budget in the Aviation Standards Regulatory activity for use in conducting selected inspector activities. To accommodate the air carrier inspectors, full-time permanent positions in the AS-R activity were increased by 166 in both FY 1984 and FY 1985. Since the inspectors would be employed for only a part of 1984, only 55 FTE's were needed. These were transferred from OTFTP to FTP. In FY 1985, however, inspectors were expected to be on board all year so the full amount of 166 FTE's was transferred from OTFTP to FTP.
A table is provided.

OPERATIONS

Activity	FY 1984 FTP Positions	FY 1984 FTE's	FY 1984 (Revised) FTP Positions	FY 1984 (Revised) FTE's	FY 1985 FTP Positions	FY 1985 FTE's	FY 1985 (Revised) FTP Positions	FY 1985 (Revised) FTE's
Air Traffic	25,864	23,976	25,864	23,976	25,041	24,243	25,041	24,243
System Maintenance	10,724	10,137	10,724	10,137	10,724	10,126	10,724	10,126
Installation and Materiel	1,552	1,473	1,552	1,473	1,569	1,455	1,569	1,455
Aviation Standards-Regulatory	2,306	2,169	2,472	2,224	2,306	2,177	2,472	2,343
Aviation Standards-Certification	776	722	776	722	776	732	776	732
Aviation Standards-Aircraft	841	786	841	786	841	794	841	794
Civil Aviation Security	233	219	233	219	233	220	233	220
Medical	221	202	221	202	221	209	221	209
Airports	470	440	470	440	474	446	474	446
Development Direction	136	132	136	132	136	128	136	128
Centralized Training	794	744	794	744	794	741	794	741
Direction, Staff and Support Services	1,478	1,431	1,478	1,431	1,478	1,419	1,478	1,419
Headquarters Administration	631	599	631	599	632	599	632	599
Total	45,026	43,030	45,192	43,085	45,225	43,289	45,391	43,455
Other than Full-time Permanent	-	915	-	860	-	902	-	726

PLANNING, DIRECTION, AND EVALUATION

SENATOR ANDREWS: By our calculations, approximately 4% of the FY 1984 and the FY 1985 Operations direct full time permanent positions and obligations is allocated for planning, direction, and evaluation. How did you arrive at the number of positions needed for PD&E in the Traffic Control, I&M, Maintenance, and Aviation Standards activities.

ANSWER: The number of positions in PD&E is determined by the requirements for planning, direction, evaluation which is carried out for each program in regional and center headquarters and in the Washington office.

OPERATIONS UNOBLIGATED BALANCES

SENATOR ANDREWS: The Budget (pg. 14) reflects almost $20 million of unobligated lapsing funds at the end of FY 1983. When and for what purpose were these funds originally appropriated?

ANSWER: The FY 1983 Department of Transportation Appropriation (P.L. 97-369) provided these funds as part of the Operations Appropriation for the FAA. The lapsing funds at the end of FY 1983 were due primarily to late year deobligation of funds when an aircraft loan default was averted. This amounted to slightly over $13 million. The remaining $7 million is the result of last minute slippage in estimates. It is less than 1 percent of the total availability. Considering the consequences of over-obligating,

managers must leave some safety margin in their estimates. Restraints against end-of-year spending make it impossible to "fine tune" obligations at the end of the year.

SENATOR ANDREWS: The Budget (pg. 14) reflects over $10 million of unobligated available funds carried over into FY 1984. When and for what purpose were these funds originally appropriated?

ANSWER: The $10 million was provided by the Supplemental Appropriations Act of 1982 (Pub.Law 97-257, September 10, 1982) as part of "an additional amount for operations...of which...not to exceed $10,000,000 to remain available until expended and to be derived by transfer from the appropriation Construction, MWA." Due to the late passage of the supplemental, the $10 million was not obligated in FY 1982, and was carried over into the next fiscal year as an offset to revitalization costs. Late in FY 1983 when revitalization costs came in lower than expected, the $10 million was again preserved for carryover into FY 1984 in order to lessen the impact of the large Congressional reductions.

NATCOM PHASEOUT

SENATOR ANDREWS: According to the justification (Pg. 36R), the National Communications Center (NATOCM) located in Kansas City is scheduled to begin phaseout in FY 1986, with an estimated cummulative reduction of 66 positions and $2 million through FY 1988. Does the FY 1985 budget assume any early savings related to the phaseout? Why can't you initiate the phaseout in FY 1985?

ANSWER: The FY 1985 budget request is not related to early Operation Appropriations savings connected with the NATCOM phaseout. What the FY 1985 budget does is allow for the completion of the procurement of a replacement for the Weather Message Switching Center system currently at NATCOM. The NATCOM phaseout will be initiated in FY 1985 with the transfer of functions related to the Aeronautical Fixed Telecommunication Network (AFTN), Automated Area B Distribution System (ABDIS), and National Airspace System Network (NASNET). All of these functions will be accommodated by the National Airspace Data Interchange Network (NADIN) switches at Salt Lake City, Utah and Atlanta, Georgia.

SENATOR ANDREWS: Is the NATCOM located in a GSA facility? If so, what are the FY 1984 and FY 1985 SLUC costs?

ANSWER: The NATCOM is located in a GSA facility. The Standard Level User Charge (SLUC) for FY 1984 is $115,798 and is projected to be the same for FY 1985. In addition, there is a $90,000 charge each year for the use of utilities required for operation outside of the normal 8 hours per day, 5 days per week schedule covered by the SLUC.

SENATOR ANDREWS: The FAA has received funds in prior years to refurbish the facility. Are you also requesting FY 1985 funds for refurbishing? If so, why does the facility need refurbishing now? How much was spent for refurbishing in FY 1983 and FY 1984?

ANSWER: The FY 1985 funds are not for the refurbishment of the facility, but to complete the procurement of the Weather Message Switching Center Replacement system. No refurbishing was performed during FY 1983 and none is scheduled for FY 1984. All refurbishing is planned to be accomplished after the NATCOM phaseout scheduled for FY 1989.

SENATOR ANDREWS: Are the 66 positions the total complement of employees at the Kansas City NATCOM? What will happen to these employees when the NATCOM is closed down?

ANSWER: The present complement of employees at NATCOM is 88. There will be some losses due to attrition prior to and during the phaseout. Many employees will be offered positions in the two NADIN sites, located in Salt Lake City, Utah, and Atlanta Georgia, depending on their skills and willingness to relocate. The remainder will be given assistance in obtaining employment with the FAA and other government agencies in the Kansas City area.

NATIONAL DATA INTERCHANGE NETWORK (NADIN)

SENATOR ANDREWS: The FY 1985 budget (pg. 139) requests $19.2 million for the NADIN program. How much was provided in FY 1984? Was it fully obligated? If not, why the delay? Has the delay caused slippages in implementing other interrelated/dependent projects?

ANSWER: The FY 1984 budget provided $5.0 million for NADIN. At this time it has not been obligated completely, but we expect to do so in this fiscal year. The delay in obligating this funding until late in the fiscal year has not caused slippages in implementing any other interrelated/dependent projects in the NAS Plan.

SENATOR ANDREWS: What were the total costs of the NADIN in the original NAS Plan? Will the slippage in the program add to the cost? Or to the costs of dependent or related projects?

ANSWER: The total F&E costs in the original NAS Plan for completing NADIN was $47.3 million. The slippage in the program has not appreciably added to its cost since, in the interim, the cost of computer hardware has dropped significantly, and more of our software can be met by off-the-shelf systems. The costs of dependent or related projects have not been increased due to this delay.

RESEARCH, ENGINEERING AND DEVELOPMENT (R,E&D)

SENATOR ANDREWS: The RE&D budget request of $269 million, with approximately 60 pages of narrative justification, does not in most cases provide a breakdown of dollars below the individual program areas. Please provide for the record a listing of projects and related FY-1985 funding, grouped by activity and program.

ANSWER: Attached for the record is a listing of the subprograms that make up the FY-1985 R,E&D budget request of $269 million.

AIR TRAFFIC CONTROL	
01 SYSTEM	26,716,000
ATC System Engineering Analysis	
Systems Analysis and Planning	230,000
Systems Engineering	1,150,000
Systems Engineering & Integration	8,000,000
Systems Engineering Management	361,000
System Requirements	
Requirements Analysis	920,000
System Capacity	600,000
Separation Standards	2,722,000
Systems Integration	
Advanced Navigation Systems	273,000
Systems Economic and Safety Analysis	268,000
Advanced System Concepts	
Advanced Traffic Management	2,552,000
Automated En Route Air Traffic Control (AERA)	9,321,000
Advanced System Concepts	319,000
03 BEACON	408,000
Improved Airport ATC Surveillance	408,000
05 AIRCRAFT SEPARATION ASSURANCE	6,505,000
TCAS	6,505,000
06 COMMUNICATIONS	16,131,000
Communication System Design	939,000
Voice Communication System	
Helicopter Communications	750,000
Voice Switching & Control Sys Dev.	9,280,000
Data Communications System	
Data Link	3,376,000
Nat'l Airspace Data Interchange Net.	1,786,000
08 AIRPORT/AIRSIDE/LANDSIDE	3,205,000
Airport Safety Support	
Airport Safety, Planning	363,000
Airport Lighting and Visual Aids	142,000
Airport Safety Support Systems	343,000
Airport Design/Layout/Construction	
Airport Design, Configuration, Capacity	600,000
Airport Pavement	1,150,000
Runway Surface Traction	607,000

12 EN ROUTE CONTROL	1,660,000
Conflict Alert/Resolution	1,660,000
13 FLIGHT SERVICE STATIONS	5,104,000
Direct User Access	5,104,000
14 TERMINAL/TOWER CONTROL	1,787,000
ARTS IIA - Mode S Enhanced Interface	1,787,000
16 TECHNOLOGY	4,750,000
Applied Human Factors	857,000
Advanced Technology	3,217,000
Advanced Computer Science Applications	676,000
21 SUPPORT	3,483,000
ATC Simulation FAcility (ATCSF)	1,524,000
NASA Ames/Langley Simulation Support	829,000
Rotorcraft Support	128,000
Rotorcraft Low Altitude Surveillance	110,000
ATC Requirement Support	892,000
ADVANCED COMPUTER	
23 ADVANCED AUTOMATION	152,758,000
Host	25,020,000
Advanced Automation System Development	127,738,000
NAVIGATION	
04 NAVIGATION	2,011,000
Transition to the Future Nav Sys/Mix (LORAN-C and NAVSTAR/GPS)	1,169,000
Helicopter IFR Operations	842,000
07 APPROACH AND LANDING SYSTEM	4,761,000
Service Test & Eval. Prog. (STEP) for MLS	932,000
Flight Crew Performance	543,000
Cockpit Data management in the Evolving NAS	861,000
Flight Phase Status Monitoring	766,000
MLS Advanced Approaches/Departures	1,659,000

AVIATION WEATHER

15 AVIATION WEATHER	16,730,000
NAS Weather Enhancements	9,136,000
Weather Radar	6,576,000
Improved Weather Sensors	1,018,000

AVIATION MEDICINE

19 AVIATION MEDICINE	5,550,000
Aeromedical Factors in Systems and Operations	1,369,000
Alcohol and Drug Abuse	346,000
Toxicoloty	534,000
Research Support for Airmen Certification	489,000
Aircrew and Passenger Protection	1,894,000
Seat and Restraint Systems	351,000
Improved Means for Emergency Escape & Survival	1,217,000
Cabin Environment and Oxygen Systems	123,000
Accident Investigation	203,000
Personnel Performance and Efficiency	1,698,000
Air Traffic Control Specialist (ATCS) Selection, Training and Utilization	1,486,000
Air Traffic Control Specialist (ATCS) Workload and Environment	212,000
Aeromedical Factors in Flight Management	589,000
Pilot Perception and Orientation in Flight	424,000
Analysis of Pilot Error	107,000
Control & Display Requirements	58,000

AIRCRAFT SAFETY

18 AIRCRAFT SAFETY	14,689,000
Fire Safety	4,332,000
Antimisting Fuel	635,000
Cabin Fire Safety	3,697,000
Transport Safety	6,128,000
Propulsion	1,021,000
Crashworthinesss	2,978,000
Flight Safety	2,129,000
General Aviation Safety	1,152,000
General Aviation Propulsion	383,000
General Aviation Crashworthiness	519,000
Airmen Evaluation	250,000
Aviation Security	3,077,000

ENVIRONMENT

20 ENVIRONMENT	2,752,000
Aircraft Engine Emissions Reduction & Control	408,000
Aircraft/Airport Emissions	
Certification Procedures	
Technology & Economic Assessment	
Air Quality	
Cruise Altitude Emissions	150,000
Noise Reduction & Control	
Aircraft Noise Stds & Regulations	100,000
Rotocraft Noise Reduction	994,000
Noise Prediction & Measurement	750,000
Noise Monitoring and Noise Reduction Through Aircraft Operational Procedures	50,000
Subjective Response	50,000
Noise Reduction through Airport Use Restrictions	150,000
Land Use Planning	100,000

SAFETY STANDARDS ON SMALL PASSENGER AIRCRAFT

SENATOR ANDREWS: Will the FAA be implementing the recommendations made in a January 4, 1984, GAO report entitled "Safety Standards on Small Passenger Aircraft -- With Nine or Fewer Seats -- Are Significantly Less Stringent Than on Larger Aircraft" (GAO/RCED-84-2)?

ANSWER: In its report on safety standards on small passenger aircraft, the GAO made three recommendations to the FAA: (1) identify standards and rules that are significantly less stringent for small air carrier aircraft, (2) prepare cost/benefit estimates for upgrading standards and rules that are less stringent and (3) implement alternatives that are determined to be technologically feasible and cost/ beneficial. While we agree with the GAO that there are differences in standards and rules between small and large air carrier aircraft, we do not agree that in all cases these differences account for lower levels of safety for small air carrier aircraft. Therefore, in response to the first recommendation, in addition to simply identifying differences in regulations between small and large air carrier aircraft, we are also undertaking a detailed analysis of accident data to determine if there is any correlation between differences in standards/rules and small air carrier aircraft safety levels. This analysis will focus primarily on the population of air taxi and commuter fixed-wing aircraft in passenger and passenger/cargo operations. This is the class of air carrier aircraft that is addressed in the GAO study. It is expected that this analysis will reveal any deficiencies in current standards and rules pertaining to small air carrier aircraft. Our target date for completion of this study is May 31, 1984.

With respect to the second recommendation, we plan to perform cost/benefit analyses of alternatives for upgrading those standards and rules where it is determined that a positive impact on aviation safety will result. Concerning the third recommendation, we will implement those changes where standards/rules differ and cost/benefit analyses support such changes.

MANAGEMENT INITIATIVES -- AIR CARRIER INSPECTIONS

SENATOR ANDREWS: FAA's November 1, 1983, history and staffing analysis of the air carrier inspection workforce describes several initiatives that are designed to increase the productivity of the inspection workforce. What is the status of these initiatives (e.g., ASAS; converting Supervisory and Administrative support to inspector positions; specialized management training; APM/APD implementation and expansion, etc.)? The report concludes that by employing these management initiatives FAA will continue to maintain air carrier safety -- without increasing the inspector workforce. Are you still convinced of this?

ANSWER: The status of the management initiatives described in FAA's November 1, 1983, history and staffing analysis of the air carrier workforce follows:

Field Office Modernization Program (FOM) and Aviation Safety Analysis System (ASAS). As of April of this year, all offices have received and are using dictation equipment. One hundred and eighteen aviation standard field offices have received information processing equipment. All scheduled 162 sites will have received equipment by the end of this year. Five hundred and eleven FAA employees have been trained on ASAS hardware and software applications and FAA Field technical personnel are scheduled to begin training this summer.

A broad spectrum of information requirements have been identified and are being subjected to systems engineering development processes. Twelve comprehensive software applications will be completed in calendar year 1984. The Work Program Management System will be implemented by the end of calendar year 1984 to provide information about inspector activity in the areas of inspection, surveillance, certification, regulation and registration.

Realignment of air carrier and general aviation field offices. The planned realignments have been completed in all FAA Regions except in the Northwest Mountain Region and Central Region. Plans to move the Eugene Oregon Office to Medford have now been cancelled and implementation within that Region is expected shortly. The one planned realignment in the Central Region has been delayed until January 1986 because of space leasing complications.

Cross utilization of air carrier and general aviation inspectors. The cross utilization of inspectors is not new and is an integral and essential part of the way FAA carries out its mission. This initiative is essentially completed.

Management Training Courses for Field Office Managers. The first class was conducted in November 1983 and the second class is scheduled for late April 1984. A third class is scheduled in August 1984. All current office managers will have completed this training by the end of FY-1985.

Aircrew Program Manager Program. This program was initially tested in the Southern Region and is now also in use in the Northwest Mountain Region. Presently, there are 48 pilot examiners from air carriers performing airman certification duties approved under the Aircrew Program Manager Program.

The answer is yes to your question "Are you convinced that these initiatives will allow FAA to maintain air carrier safety -- without increasing the inspector workforce?" We feel that the initiatives and the additional 166 inspectors added in FY-1984 will assure a system to oversee air carrier operations to the degree necessary to maintain air carrier safety.

AUTOMATED WEATHER OBSERVING SYSTEM (AWOS)

SENATOR ANDREWS: In a March-April 1983 FAA General Aviation News, you reported that a year-long demonstration program of AWOS would begin in July, with possible purchase of some 800 AWOS units beginning in 1985. Will the demonstration be completed in July 1984 as originally scheduled? What has been pilot reaction? Has the demonstration revealed the need for further improvements in the system?

ANSWER: The demonstration is still expected to be completed in July 1984. The limited pilot reaction has been good in most cases. The demonstration has revealed some need for improvement in the production systems.

SENATOR ANDREWS: Why are you requesting $17.5 million in FY 1985 to establish AWOS at 73 locations when you have not yet completed demonstration and testing?

ANSWER: The demonstration does not need to be completed before advertising for proposals, since sufficient data has been collected to make a decision and issue a good production specification.

SENATOR ANDREWS: A 1982 National Weather Service study stated that there were more than 900 general aviation airports with little or no weather reporting capability. Are the 73 locations you refer to on page 164 of the justification the first increment of the 900? Is the 900 number still correct?

ANSWER: Our system requirements statement indicates that 931 airports do not have a local weather observation. The FY 1985 funds will be used to implement AWOS at some of these airports.

SENATOR ANDREWS: Has the AWOS program been extended to FAA-towered airports that already have weather observation capabilities? Why?

ANSWER: Towered airports have always been included in the program because the current equipment needs to be replaced in the near future, the number of tower displays needs to be minimized, and the controllers need to be available for their primary duties more often.

SENATOR ANDREWS: In October 1983, FAA reported total costs of AWOS at $160.7 million. In response to a record question from Secretary Dole's February 23, 1984, Senate hearing, total costs for AWOS are at $176.3 million. Why the increase? How does the February 23rd data show FY 1985 budget authority of $39.9 million for AWOS and page 164 of the justification requests $17.5 million?

ANSWER: The $160.7 million was total implementation costs for FY 1985 through FY 1989 and did not include the costs for RE&D of additional sensors such as present weather nor the prior year costs for FY 1982 through FY 1984 which are included in the $176.3 million. The FY 1985 budget authority of $39.9 million shown in the February 23rd data for AWOS is the total budget authority being requested this year and includes $22.4 million on page 155 for 86 FSS and towered locations and $17.5 million on page 164 for 73 nontowered airports.

AIRPORT SURFACE DETECTION EQUIPMENT (ASDE)

SENATOR ANDREWS: The budget (pg. 144) requests $55.9 million to replace existing ASDE-2 systems with ASDE-3 radars at 12 locations and establish new ASDE-3 systems at 5 locations? What criteria was used to select the five locations for the new radar? How many ASDE-3's does $55.9 million buy you? In October 1983 the total cost of the ASDE-3 radar was $83.1 million. In February 1984 data shows $103.5 million. Why the difference? How many ASDE-3 will $83.2 million buy you? And $103.5 million? And for what airports?

ANSWER: To quality as a candidate for Airport Surface Detection Equipment (ASDE), an airport must have a Category III runway or an air traffic control tower that has 180,000 or more annual itinerant operations, of which 100,000 or more are certificated route air carrier operations. $55.9 million is expected to fund the first 16 operational ASDE-3's, and one support system for the FAA Academy. The total cost of the current program has been revised to reflect the increased number of qualifying locations and to reflect best estimates of per unit system costs based on the technology being used by current manufacturers of ASDE-type radar systems. The current program total is 29; however, this number is subject to change as new qualifiers (such as Anchorage, AL, and Charlotte, NC) are validated and added to the program. The $83.2 million stated in October 1983 will fund 12 replacements and 12 new ASDE-3's. The $103.5 million will fund 12 replacements and 17 new ASDE-3's. The 29 locations are listed below:

Andrews AFB, MD
Atlanta, GA
Baltimore, MD
Boston, MA
Chicago (O'Hare), IL
Cleveland, OH
Dallas/Ft. Worth, TX
Denver, CO
Detroit, MI
FAA Academy, OK
Houston, TX
Kansas City, MO
Los Angeles, CA
Memphis, TN
Miami, FL
Minneapolis, MN
Newark, NJ
New York (JFK), NY
New York (LaGuardia), NY
New Orleans, LA
Philadelphia, PA
Pittsburgh, PA
Portland, OR
San Francisco, CA
Seattle, WA
St. Louis, MO
Tampa, FL
Washington (Dulles), VA
Washington (National), VA

MANAGEMENT SAVINGS

SENATOR ANDREWS: The justification states (pg 25/27) that management savings of $23 million was made in Operations/Headquarters Administration. With $10 million related to A-76, where was the remaining $13 million taken?

ANSWER: The remaining $13 million savings resulted from: closing and downgrading of printing plants and expected consolidation of administrative payment centers ($2M); FTE reductions due to contracting out towers ($3M); various savings in WIGS and promotions based on attrition rate ($2M); and reduction in grades GS 11-15 ($6M).

SENATOR ANDREWS: Please explain the rationale to close and downgrade printing plants. Be specific: number of plants, location, number of employees, dollar savings, etc.

ANSWER: The decision to close or downsize all FAA printing plants is a result of our continuing efforts to reduce costs and procure products and services from commercial sources whenever possible. These printing plant closings and downsizings will not result in a loss of service to the FAA offices and the aviation community/public because the work can be procured commercially.

FAA is in the process of closing the printing plants located at the Southwest Region (Fort Worth, Texas), and the Technical Center (Atlantic City, New Jersey). In addition, the second shift operation of the printing plant at the Mike Monroney Aeronautical Center (Oklahoma City, Oklahoma) is being eliminated. By the end of FY 1985 these efforts will lead to a reduction of 14 positions. In view of the fact that full contractor services will not be provided until FY 1985, the cost savings effect will not be fully documentable until that time.

SENATOR ANDREWS: Describe your plans to consolidate administrative payment centers.

ANSWER: The Office of Management and Budget (OMB) has requested the Department of Transportation (DOT) to develop a conceptual plan to be presented to OMB by May 1, 1984, which provides for a single administrative payment system for the DOT and to begin operation in calendar year 1985. The Federal Aviation Administration (FAA) has been directed to take the lead in the development of this DOT plan and currently has a team working on the plan. Once the conceptual plan has been approved by the Secretary of Transportation and accepted by OMB, it will serve as a basis for a more detailed, time-phased implementation plan for the DOT, including the FAA, to consolidate administrative payment centers.

SEI CONTRACTOR

SENATOR ANDREWS: We understand that the $684 million SEI cost-plus-award-fee contract to Martin-Marietta Aerospace Corporation is for a 5-year period and one 3-year option period, and one 2-year option period. The amount of the award fee pool (at a maximum of 12%) actually paid to the contractor will be determined by a semi-annual FAA evaluation of the contractor's performance. Thus, the contractor could earn more than $73 million during the 10-year term of the contract. Is this percentage of award fee typical for a large contract like this? What financial or legal risks are assumed by Martin-Marietta that warrant a 12% award fee?

ANSWER: The System Engineering and Integration contract is not "typical" since it involves major responsibilities for systems engineering, integration, and implementation of the total NAS Plan. The primary reason for the potential 12% award fee is to motivate the contractor to superior performance. It is not compensation for assuming financial or legal risks.

The contractor does assume a "financial risk" in the sense that there is no guaranteed fee under the contract. The amount of award fee will vary from 0% to 12% depending on the FAA's evaluation of the contractor's performance.

"Legal risks" cannot be accurately predicted. However, the contractor carries $1.0 billion worth of liability insurance as protection against lawsuits resulting from accidents in the National Airspace System.

SENATOR ANDREWS: Please explain FAA's method of evaluating the contractor's performance, the amount of award fee available and payable in each semi-annual evaluation period.

ANSWER: The FAA will formally evaluate the contractor's performance at the end of each 6-month period during the contract. The evaluation will be based on the contractor's performance in three categories: (1) management of the contractor's resources applied to the NAS Program and the control of his own costs and schedules, (2) technical performance in NAS planning, NAS program management, system design and integration, and project management, and (3) achievement of NAS Plan schedules, financial objectives, and cost-savings goals. The results of the evaluation will be used by the FAA to determine the percentage of the award fee pool for each 6-month period that will be granted to the contractor.

The amount of award fee available for potential payment in the basic contract and the two options is as follows:

Evaluation Period	Percentage of Fee	Award Fee Pool
Feb 84-Jul 84	4	$ 1,391,655
Aug 84-Jan 85	4	1,391,655
Feb 85-Jul 85	6	2,087,483
Aug 85-Jan 86	8	2,783,310
Feb 86-Jul 86	10	3,479,138
Aug 86-Jan 87	11	3,827,052
Feb 87-Jul 87	13	4,522,879
Aug 87-Jan 88	14	4,870,793
Feb 88-Jul 88	15	5,218,707
Aug 88-Jan 89	15	5,218,708
	100%	$34,791,380

Option 1	Percentage of Fee	Award Fee Pool
Feb 89-Jul 89	17	$ 4,479,061
Aug 89-Jan 90	17	4,479,061
Feb 90-Jul 90	17	4,479,061
Aug 90-Jan 91	17	4,479,061
Feb 91-Jul 91	16	4,215,586
Aug 91-Jan 92	16	4,215,586
	100%	$26,347,416

Option 2	Percentage of Fee	Award Fee Pool
Feb 92-Jul 92	28	$ 3,403,747
Aug 92-Jan 93	26	3,160,623
Feb 93-Jul 93	24	2,917,498
Aug 93-Jan 94	22	2,674,373
	100%	$12,156,241

SENATOR ANDREWS: FAA didn't hire the contractor until almost 3 years after the NAS Plan was developed. Was an SEI contractor considered in 1981? Why did it take so long to contract for SEI?

ANSWER: The NAS Plan was developed in 1981, but the authorizing legislation for NAS Plan implementation was not enacted until August 1982. In September 1982, the reorganization planned by the FAA for its engineering organization was approved; and planning was begun for the procurement of a System Engineering and Integration Contractor. This planning was reinforced by the White House Science Council recommendation that the FAA should

obtain a single contractor to design and integrate the entire air traffic control system. Specific procurement activities for the SEI contract began in January 1983, and the contract was awarded in January 1984. Considering the magnitude and complexity of the contract, this is not considered to be a long time for a contract award.

SENATOR ANDREWS: What is Martin-Marietta's experience in performing work in the civil aviation area? Has Martin-Marietta had past experience in system engineering large jobs such as the NAS?

ANSWER: Martin-Marietta has little significant corporate experience in civil aviation. However, the company spent almost 3 years studying the Air Traffic Control System and FAA programs in preparation to bid for the Advanced Automation program, and then the System Engineering and Integration contract. Also, Martin-Marietta selected team members, including LOGICON, Inc., ARINC Research Corporation, and the Ralph M. Parsons Company, who have had extensive experience in civil aviation systems.

Martin-Marietta has extensive corporate experience in system engineering for very large systems which include most of the technical elements found in the NAS. Examples are the Ground Support System Integration for the Vandenberg Space Shuttle System, System Integration for the Viking MARS Exploration Program, and System Integrator and Weapon Systems Activation Contractor for the TITAN II ICBM Program.

SENATOR ANDREWS: To how many companies did you send a request for proposal and how many proposals were received? From whom?

ANSWER: The Request for Proposals was sent to 237 companies. Two proposals were received. One was submitted by Martin-Marietta and the other was submitted by NASCo, a joint-venture company formed for the purpose of bidding by the Boeing Company and the Lockheed Corporation.

SENATOR ANDREWS: In your opinion why weren't more proposals submitted? Do you think the 3-year exclusion limited the number of bidders?

ANSWER: There were two principal reasons why no more proposals were received. First, the System Engineering and Integration contractor had to have a very large technical staff with system integration experience who could be assigned immediately to the SEI contract. Second, the exclusion clause prohibits the SEI contractor from competing for any of the procurements for projects included in the NAS Plan for the duration of the SEI contract and 3 years thereafter.

SENATOR ANDREWS: Please provide for the record the numbers of FAA staff by organization that worked full-time on the NAS. Has the award of the SEI contract decreased this number? What will those people do now.

ANSWER: Only four employees worked full-time on the development of the 1984 edition of the NAS Plan. However about 85% of the personnel assigned to the Office of the Associate Administrator for Development and Logistics and the FAA Technical Center are involved in implementing the NAS Plan. Additionally some personnel from the Office of the Associate Administrators for Air Traffic Control and Aviation Safety are involved in several aspects of the plan's implementation. Some field and regional personnel were used on an ad-hoc basis. The SEI contractor will supplement FAA's in-house staff and provide assistance and mission

support to the FAA in such areas as planning, management support, technical support to the FAA program managers, and NAS plan auditing. As the plan progresses beyond 1985, there will be greater participation by regional employees (F&E installation crews, regional engineering teams) in the implementation phase of the plan. The SEI contractor will also provide technical personnel and disciplines to supplant a number of the existing engineering support contractors. It is not anticipated that any FAA employee will lose his job as a result of awarding the SEI contract, but rather that these employees will continue to be fully utilized to assist the agency in its plans to modernize the nation's air traffic control system.

SENATOR ANDREWS: What is FAA doing to avoid losing personnel to Martin-Marietta?

ANSWER: To date, Martin-Marietta has not hired any employees away from the FAA and they do not intend to do so. Martin-Marietta will discuss employment only with FAA employees who have already announced their intention to leave and have officially initiated the separation process.

SENATOR ANDREWS: What level of staffing will the contractor require? Will all these people be located in the Washington area?

ANSWER: During the peak years, the SEI contract staffing, including administrative personnel and subcontractors, will be at a level of approximately 1100. Of these, approximately 240 are expected to be at field locations, approximately 100 will be at the FAA Technical Center, and the remainder will be located in the Washington area.

SENATOR ANDREWS: Please explain how SEI personnel responsible for a particular project will interface with FAA personnel working on the same project.

ANSWER: The FAA personnel on particular projects will be the technical officers responsible for all decisions on contractual matters involving scope, costs, and schedules. FAA personnel will also be responsible for final acceptance of products from development or production contracts and for final acceptance of systems implemented at field sites. The SEI personnel provide management and technical expertise, as well as technical direction, to some of the development and production contractors. The FAA and SEI personnel will complement each other in skills and expertise and work together as a team.

SENATOR ANDREWS: Will the FAA monitor the SEI contract or will that responsibility be contracted also?

ANSWER: The FAA will monitor the SEI contract; this responsibility will not be contracted.

SENATOR ANDREWS: Martin-Marietta has been reviewing and assessing the current NAS Plan and is to provide a written report to FAA by July 1984. What action will be required by FAA if the report reveals problems in the technical validity or system safety areas? Especially if FAA already has contracts out in those areas?

ANSWER: The final report by Martin-Marietta on their assessment of the NAS Plan is scheduled for August 1984. If their report reveals problems in the technical validity of the NAS Plan or in system safety areas, FAA will work with the SEI contractor to analyze alternatives and formulate corrective actions. If such actions required changes to existing contracts, FAA will make the necessary contract modifications.

SENATOR ANDREWS: Three groups of projects are identified by FAA in determining the SEI contractor's role. Please describe the three groups and provide a list of the projects in each group. Are these groupings subject to change? What role will the SEI play in determining final design and technical direction?

ANSWER: The NAS Plan projects were grouped into three categories to facilitate definition of the SEI contractor responsibilities. These groups are:

Group I--contains the projects which are still in the formative design stage for which the SEI contractor will play a major role in determining final design.

Group II--contains projects for which designs have already been specified and on which the SEI contract can have only limited influence.

Group III--contains projects which are in production or are of an interim nature, on which the SEI contractor will have little or no influence on design.

Group I

ATC En Route/Terminal
- Advanced Automation System
- Automated En Route ATC (AERA)
- Area Control Facilities

ATC Flight Service Station
- Central Weather Processor (CWP)
- Automated Weather Observation System (AWOS)

Ground-to-Air
- Communications Facilities Consolidation
- Long-Range Radar
- Weather Radar Program

Interfacility
- RML Trunking
- Network Design, RML Replacement and Expansion and Satellite Trunking
- Voice Switching and Control System (VSCS)
- Tower Communications and Switching System
- Data Multiplexing and Consolidation

Auxiliary
- Modernize Airport Cables into Loop System
- Upgrade the Systems Support Laboratory

Group II

Air Traffic Control
- Modern ATC Host Computer
- En Route Metering II (ERM-II)
- Conflict Resolution Advisory Function
- ARTS Interface with Mode S/ASR-9
- Establish Flight Service Automation System (FSAS)

Ground-To-Air
- Establish Microwave Landing System (MLS)
- Terminal Radar (ASR) Program
- Mode S/Data Link
- Airport Surface Detection Equipment (ASDE-3) Radar

Interfacility
- Integrated Communications Switching System (ICSS)
- National Data Interchange Network (NADIN 2)
- Tone Control Equipment Replacement

Auxiliary
- Remote Maintenance Monitoring System (RMMS)
- Acquisition of Flight Service Facilities
- Establish the National Radio Communication System

Group III

ATC En Route
- En Route Automation Hardware Improvement and Enhancements
- Replace Flight Data Entry and Printout Devices
- Improve and Retrofit Direct Access Radar Channel System
- Alaska EARTS Enhancement
- Provide Conflict Alert and Minimum Safe Altitude Warning for EARTS
- Oceanic Display and Planning System (ODAPS)
- Upgrade the Traffic Management System
- Conflict Alert IFR/VFR Mode C Intruder

ATC Terminal
- VFR ATCT Closures
- ARTS IIIA Assembler
- Provide ARTS II Displays
- ARTS II Interfacility Interface
- ARTS IIA
- Additional ARTS IIIA Memory
- Additional ARTS IIIA Support System for FAA Technical Center
- Enhanced Target Generator (ETG) Displays (ARTS III)
- Provide Bright Radar Indicator Tower Equipment (BRITE)
- Replace TPX-42 Systems
- Provide Enhanced Terminal Conflict Alert
- ATCT/TRACON Establishment, Replacement, Modernization, and Federalization
- Replace Automated Terminal Information Service (ATIS) Recorders

ATC FSS
- Interim Voice Response System (IVRS)
- Hazardous In-Flight Weather Advisory System (HIWAS)
- Geostationary Operational Environmental Satellite (GOES) Recorders
- Teletypewriter Replacement
- Radar Remote Weather Display System (RRWDS)
- High-Altitude En Route Flight Advisory Service (EFAS) Requirements

Ground-to-Air
- Air-Ground (A/G) Communications Equipment Replacement
- VORTAC
- Approach Lighting System Improvement Program (ALSIP)
- Non-Directional Beacon (NDB)
- Direction Finder (DF) Modernization
- Conventional ILS Upgrade
- RVR-Establish/Upgrade
- Establish Visual/Electronic NAVAIDS

Interfacility
- Relocation of NATCOM Functions
- National Data Interchange Network (NADIN) 1A
- Television Microwave Link (TML)

Auxiliary
- Provide Power Conditioning Systems (PCS) for Automated Radar Terminal Systems III (ARTS III)
- ARTCC Plant Modernization
- Computer-Based Instruction (CBI)
- Traffic Management System Automation Facility

These groupings are not expected to change significantly. The SEI contractor's role in determining final design is to perform the detailed system-level design for the NAS as it is planned for 1995. Further, they will define the performance requirements for the

systems and subsystems and the associated requirements for system interfaces. To support the FAA program managers of development and production contracts, the SEI contractor will provide technical direction to some of the associated contractors, interpreting the language of specifications to clarify the Government's intent and directing the contractor to comply with that intent. The technical direction is limited to cases that do not change cost, schedule, or scope of the contract.

SENATOR ANDREWS: Does the FAA still have a Configuration Control Board (CCB)? Why do you need a CCB now that you have an SEI contractor?

ANSWER: The FAA employes a comprehensive configuration management system to control engineering change for the National Airspace System (NAS). Within this configuration management system, Configuration Control Decisions (CCD's) constitute the sole authority for baseline change. These CCD's represent engineering change approval for such considerations as improved equipment performance, higher reliability, and lower operating costs. Prior to approval, proposed CCD's are subject to a controlled and fully coordinated review process within the FAA, which includes change impact analysis.

To manage the configuration of the NAS Plan programs, the FAA intends to institute formal multi-level Configuration Control Boards (CCB's) tailored to functional areas of responsibility, structured NAS design levels, and system life-cycle stages. The primary function of a CCB is to control changes to the system baseline, documented via CCD's. The FAA will continue as final authority for CCD activity. The System Engineering and Integration (SEI) Contractor will not replace the CCB function, although they will serve as contributory board members. They will provide assistance to the CCB by preparing baseline documentation, processing change requests, performing technical evaluations, and providing technical recommendations. The SEI Contractor will also assist in updating and maintaining the FAA configuration management system, including helping to establish the multi-level CCB's.

CONTROLLER PERFORMANCE

SENATOR ANDREWS: On January 1, 1984, there was a near mid-air collision between two Pan American jumbo jets near Miami, Florida. If this incident had been an accident, it would have resulted in nearly 500 fatalities, the worst aviation catastrophe in the Nation's history. Has the FAA evaluated this or other near mid-airs and related controllers performance with particular reference to the deficiencies and safety recommendations reported by the NTSB in their 1982 and 1983 Special Investigation of the Air Traffic Control System. There has been a rash of aircraft collisions or near collisions with ground vehicles (Anchorage, Alaska; Sioux Falls, South Dakota; Cincinnati, Ohio; New York). What actions is FAA taking to avoid recurrences systemwide?

ANSWER: The FAA evaluated operational errors and related near mid-air collisions with prime attention directed to controller performance and causes leading to performance failure as well as overall causal factors. The results of these investigations are used in our analysis of National Transporation Safety Board recommendations. In our view, the failure in controller performance leading to the near mid-air collision over the ocean

near Miami on January 1, 1984, did not involve any recommendations previously made by the National Transportation Safety Board. We have taken a number of actions to eliminate airport surface collisions and to reduce airport surface operational errors. These actions include an agency notice to ATC facility managers and controllers, briefings to controllers to increase their awareness of the potential for these types of errors, recommendations on possible visual reminders which could serve to remind controllers of vehicles on the runway and a 2-week quality assurance assessment at all major terminal facilities with particular emphasis on runway coordination and utilization procedures.

AVIATION WEATHER

SENATOR ANDREWS: What is the status of the Low Level Wind Shear Alert System (LLWAS) test at New Orleans?

ANSWER: Five additional remote wind sensors, manufactured by Fairchild-Weston Corp. were received at New Orleans (MSY) the first week in April 1984 and will be installed at MSY the first part of June. This will bring the total number of remote LLWAS sensors at MSY to 10 in order to increase the sensor density for the detection of wind shear hazards of downbursts, microbursts, gust fronts, etc.

The airport sites for the new sensors have been selected and the necessary structures (poles, etc.) erected. The improved MSY LLWAS will be commissioned in late June 1984 and become operational in July. Test data will be collected for a 1-year period. These data will be analyzed at the FAA Technical Center at Atlantic City to assess LLWAS system performance against the hazards of wind shear.

SENATOR ANDREWS: What is the status of the Radar Remote Weather Display System (RRWDS) at the Center Weather Service Units?

ANSWER: The Radar Remote Weather Display System (RRWDS) hardware has been delivered to all 20 Air Route Traffic Control Centers (ARTCC). With the exception of two Air Route Traffic Control Center/Central Weather Service Units (ARTCC/CWSU), the RRWDS hardware has been activated and achieved initial operating capability. The remaining two ARTCC/CWSU's will be activated within 60 days. The RRWDS is scheduled to achieve full operational capability within the next 3 or 4 months as final documentation (instruction books) training and operator orientation are completed.

CENTRAL WEATHER PROCESSOR (CWP)

SENATOR ANDREWS: According to the Research, Engineering and Development budget (Pg. 243), the major element of the NAS weather enhancement activity is the Central Weather Processor (CWP) for each ARTCC. Of the $16,730,000 you are requesting for the Aviation Weather Program, how much is to continue the development, test and evaluation of the CWP? Will evaluation and testing be completed in FY 1985? Does the expected FY 1987 delivery of the system factor in possible delays in completing the evaluation?

ANSWER: Of the $16,730,000 requested, $9,136,000 is needed to continue the development of the CWP, and to make initial preparations for test and evaluation of the prototype system, which is scheduled for delivery in FY 1987. Test and evaluation of the prototype is planned to be completed in FY 1988. The present schedule is conservative and contains adequate buffers for contingencies.

SENATOR ANDREWS: The response to a record question from the Secretary's February 23, 1984, Senate hearing, shows total costs of the CWP at $75.5 million. Is this the same as the original NASP estimate? Is the CWP one of the major procurements that has experienced slippage? If so, why?

ANSWER: The original National Airspace System Plan (NAS Plan) estimate for the Research, Engineering and Development Appropriation was $69.5 million and was based on our knowledge of what would be needed to accommodate advanced weather sensors and other National Airspace System (NAS) systems that are presently under development. The additional $6.0 million included in the present $75.5 million estimate is based on a better understanding of these items as their development has progressed. From a production delivery viewpoint, the CWP schedule has been extended about 1 year. This is the result of a more conservative approach which has been adopted to provide adequate schedule buffers as noted earlier.

FLIGHT DATA RECORDERS

SENATOR ANDREWS: Relatively small helicopters are now carrying passengers between downtown areas and airports. What provisions are you considering for requiring Cockpit voice recorders (CVR's) and flight data recorders (FDR's) in these aircraft?

ANSWER: The Federal Aviation Administration is in the process of completing a study regarding the requiring of Cockpit Voice Recorder/Flight Data Recorder's for rotorcraft, including small passenger carrying helicopters. We expect the results and recommendations within 60 days.

SENATOR ANDREWS: Pilots have been expressing support of a "hot microphone" cockpit voice recorder (CVR) system that greatly enhances CVR intelligibility and makes the accident investigation process more comprehensive. Does the FAA plan to issue any new regulations and technical standard orders (TSO) to support "hot mike" installations?

ANSWER: The FAA does not plan to issue any new regulations or TSO's to support "hot mike" installations. The "hot mike" concept has some merit and also has drawbacks. The FAA regards the current area mike system adequate.

HUMAN FACTORS/HUMAN PERFORMANCE

SENATOR ANDREWS: Since 1982, the NTSB has issued several recommendations and provided other technical assistance to the FAA on the Human Factors Design of Approach Procedures. What programs has the FAA developed to insure that human performance considerations are evaluated during the design of a new approach procedure or during the updating of an already established approach procedure (e.g., adding a localizer to an approach)?

ANSWER: Human performance considerations have always been a part of the FAA's design efforts of instrument approach procedures. Each procedure is evaluated to assure that it is:

1. Operationally sound (i.e., required aircraft maneuvering is consistent with good operating practices).
2. Cockpit workload is acceptable.
3. Navigation charts can easily be interpreted and contain proper information.

Since the 1982 NTSB recommendations, our FAA cartographers, procedures specialists, and our human factors specialist (Dr. Alan Diehl) have participated extensively in the National Airspace

Review (NAR) task groups on charting, including instrument approach procedures. In addition, through the cooperation of the U.S. Department of Commerce, new prototype charts are being developed which will be evaluated for human performance improvement. This is part of a larger effort which includes VFR charts and IFR enroute charts. The VFR chart evaluation is nearing completion.

ULTRALIGHTS

SENATOR ANDREWS: Does the FAA recognize the ultralight as a civil aircraft?

ANSWER: Unless an ultralight is being operated by subdivision of a state, local government, or federal agency as a public aircraft, it is civil aircraft. FAR Part 103 relieves the operator of an ultralight of much of the regulatory burden that falls on conventional civil aircraft operated in air commerce; however, in return, ultralights are restricted to certain categories of airspace, not allowed to fly over congested areas of cities and towns, prohibited from flying at night or carrying passengers, and restricted to sport and recreational use.

SENATOR ANDREWS: Has the FAA established any standards for pilot competency on ultralight vehicles? What about ultralight vehicles registration -- is this being done?

ANSWER: The FAA has not established mandatory federal standards for ultralight vehicle operators competency nor a federal system for ultralight vehicle registration at this time. While we believe it is within the authority of the FAA to mandate such requirements, the FAA has chosen to allow community-based organizations to provide both of these services. The Aircraft Owners and Pilots Association (AOPA) Air Safety Foundation has instituted both of these programs on a national basis. To date, while not all ultralight vehicle operators are as yet enrolled, the participation is encouraging and the service is being provided on a user fee basis at no cost to the nonparticipating taxpayer. Should this method of providing this service fail to meet FAA's safety objectives, a mandatory program operated by the FAA would probably be the most practical alternative. In the meantime, FAA will closely monitor the AOPA Air Safety Foundation programs in the hope that their success will preclude any further FAA involvement.

NAS PLAN PERSONNEL SAVINGS

SENATOR ANDREWS: The GAO contends that Operating and Maintenance Personnel dollar savings developed for the April 1983 NAS Plan update were computed on different bases. Operating personnel were based on FTP staff, excluding administrative. Why were different methods used to compute personnel savings?

ANSWER: The GAO contention is correct that different methods were used to compute operations personnel savings and maintenance personnel savings. We are actively working with OMB and OST to develop a standard methodology for computing NAS Plan related personnel savings.

SENATOR ANDREWS: How do the Operating and Maintenance Personnel Savings we will see in the forthcoming April 1984 update compare to last year's update? Please explain how the new figures were computed.

ANSWER: The April 1984 update will show a slight reduction in the overall Operations and Maintenance cost savings from the April 1983 edition ($19.9 vs $21.5 billion in the 1983 edition for the entire plan period to the year 2000). The difference is due largely to slight changes in forecasts of traffic and leased communications costs out to the year 2000. The cost savings were computed in the same manner as in previous years, i.e., calculating the cost avoidance of operating and maintaining the 1981 system to meet the user demands through the year 2000, and adding the projected cost reductions from the 1981 costs made possible by the actions contained in the plan.

SENATOR ANDREWS: Why don't you use estimated personnel savings from the NAS projects cost benefit studies?

ANSWER: The FAA has used, and continues to use, cost-benefit studies for individual major projects to judge their effectiveness. Each NAS Plan project, however, does not necessarily have an associated formal cost-benefit study. Those studies which do exist were completed at various times using the assumptions and constraints prevalent at the time of their development. Since the individual cost-benefit studies may use somewhat different assumptions, they cannot be used to accumulate total costs or benefits in a meaningful way.

SENATOR ANDREWS: Was the low employment level FAA experienced by the end of FY 1983 attributable to NAS or to other factors?

ANSWER: The low employment at the end of FY 1983 was due to a reduction in Air Traffic hiring rates necessitated by field facilities' inability to handle the previously planned higher flow of Academy graduates. In addition, higher loss rates at the FAA Academy compared to that budgeted and the year-long employment freeze (with some exemptions) on all other employment contributed to a lower employment level than originally planned.

SENATOR ANDREWS: In view of the large reduction in personnel over the next 15 years, have you developed a staffing reduction plan? If no, when will you?

ANSWER: Documents have been developed or are being prepared within the FAA which address the reduction in personnel that results from FAA's plan to modernize the National Airspace System. The "Human Resources Plan," currently in draft form, documents the expected affects on FAA's Maintenance Organization. This plan takes into consideration the anticipated reduction of Maintenance Staffing resulting from attrition, sector reorganization, changes in skill mix, and other factors related to FAA's Maintenance Program. The final plan will be available within the next few months. The "Implementation Plan - Area Control Facility (ACF)," currently in coordination, and the "ACF Transition Plan," currently under development, address the air traffic en route and terminal staffing reductions related to FAA's ACF Program. The "Flight Service Station (FSS) Automation Program Master Plan," dated 1978, the "Master Plan Addendum," dated 1980, and FAA Order 3330.41, "Guidelines for Effecting the National FSS Transition," dated 1/3/84, address the staffing reduction issue as it relates to FAA's FSS Automation Program.

AIRPORT SURVEILLANCE RADAR (ASR)

SENATOR ANDREWS: You had originally planned to keep the ASR-7/8's and replace 96 obsolete ASR-4/5/6's with state-of-the-art ASR-9's. Is the current plan to replace ASR-7/8's with ASR-9's, and then Leapfrog the ASR-7/8's to replace the ASR-4/5/6's? Why the change?

ANSWER: When the Department was reviewing the proposed acquisition paper for the ASR-9 procurement, the Deputy Secretary married the "Leapfrog" aspect to the procurement strategy whereby the newest radars would go into the most heavily used areas. The current approved plan is for 96 new replacement radars, of which 56 will replace ASR-7's and -8's at high density airports and 40 will replace ASR-4s, -5's, or -6's. The remaining obsolete vacuum tube ASR-4's, -5's, and -6's will then be replaced with the 56 Leapfrog ASR-7/8's.

SENATOR ANDREWS: Please provide the total number of ASR-7/8's that currently exist; number of ASR-7/8's that will be replaced by ASR-9's, number of ASR-4/5/6's that will be replaced by ASR-9's; number of ASR-7/8's that will be leapfrogged to ASR-4/5/6 sites.

ANSWER: There are currently 116 ASR-7/8's, 56 of which will be replaced by ASR-9's. There are currently 96 ASR-4/5/6's, 40 to be replaced by ASR-9's and the remaining 56 replaced by leapfrogged ASR-7/8's.

SENATOR ANDREWS: What is the basis/criteria for site selection?

ANSWER: The basis for selecting which ASR-7/8's are to be replaced with ASR-9's, and the ASR-7/8's redeployed to ASR-4/5/6 sites under leapfrog, is to ensure that all ARTS IIIA locations are uniformly served by the newer ASR-9 radars.

SENATOR ANDREWS: Has your original ASR cost estimate increased to cover the leapfrogging? By how much? Provide a breakdown of costs for the ASR-9 replacement and the ASR-7/8 leapfrogging including enhancement, installation, testing, and remote maintenance monitoring capability? Do these costs include relocating existing ASR's to eliminate interference and improve surveillance?

ANSWER: The original ASR cost estimate was increased $65 million for the Leapfrog Program (1981 dollars). The ASR replacement program cost estimate is $339 million (1981 dollars). The Leapfrog Program estimate does not include Remote Maintenance Monitoring (RMM). The above cost estimates do not include site relocations occasioned by interference problems.

SENATOR ANDREWS: Are there some enhanced ASR-4/5/6's or 7/8's that are being replaced? Then why replace them? Are the replacement ASR-7/8's being enhanced or modified.

ANSWER: All enhanced ASR-4/5/6's are being replaced. They are being replaced because the enhancement only up-graded the antenna, not the vacuum tube equipment. These out-dated systems must be replaced. The only enhancement to the ASR-7/8 systems will be the addition of an ASR-8 antenna to the ASR-7's not previously equipped.

REPROGRAMMING REQUEST

SENATOR ANDREWS: Included in the Secretary's January 13, reprogramming request to the Committee were two items subsequently disapproved: National Radio Communications System (NARACS) and the IFR heliport facility at the Technical Center. Has the FAA included any portion of these items as part of the FY 1985 request? Has the FAA reassessed the need for these items in FY 1984 since they were disapproved. If so, is there any further information which should be provided to the Committee?

ANSWER: It is our understanding that the two items were not disapproved but deferred pending further review and study at the appropriations hearings. Both of these items are still needed. The funds for the National Radar Communications System are included in the FY-1985 Request and we will restudy the need for additional FY 1984 funding. We will submit additional justification and information in support of the reprogramming request for the heliport function.

Questions Submitted by Senator Chiles

SENATOR CHILES: Mr. Fenello, as you know we are talking about a freeze on domestic discretionary spending as a part of our efforts to help reduce the deficit. The FY 1985 request for transportation increases by approximately $900 million, from the 1984 appropriated level of $10.9 billion to the requested level of $11.8 billion. The FAA requested increase for facilities and equipment of $907 million seems to explain the entire increase for our appropriation bill this year.

Last year we had the results of a CBO study which indicated that the weight of technical opinion is that we should move ahead and modernize the National Air Traffic Control system. For FY 1982 through FY 1984 we have already invested $1,636,000,000 towards that end. The FY 1985 appropriations includes $1,657,000,000 also in support of the modernization of the National Air Space System.

Mr. Fenello in view of the discretionary freeze that is being generally supported, to what extent can we reduce your facilities and equipment request? For example, your request includes funding for 60 Microwave Landing Systems and 159 Automated Weather Observation Systems. Why couldn't we simply order fewer of all the major systems included in the NAS system proposal?

ANSWER: The FY 1985 F&E appropriation request of $1.657 billion represents the required level of funding to keep the NAS Plan on schedule. This request is also consistent with the legislative authorization levels that have been approved for modernizing this Nation's Air Traffic Control system.

Actions taken by the Congress on the FY 1984 appropriation bill required deferral of $250 million in funding for NAS Plan programs. To insure that the NAS Plan remained essentially on schedule, most of the obligations were made in programs which were originally scheduled for contract award late in FY 1984. We have started, or will start, the administrative procurement process for the deferred procurements this year and plan to award the contracts in early FY 1985 after the funds have been appropriated by Congress.

The request for 60 MLS systems is consistent with our intent to make MLS available to aviation users as soon as possible. In addition, the multi-year MLS contract has already been awarded and the FY 1985 MLS budget request has been revised to conform to the terms of the contract.

The request for 159 AWOS systems is aimed at reducing weather related accidents by making weather observation data available to airborne pilots. Implementation of this safety oriented network is one of the backbone systems of the NAS.

SENATOR CHILES: I realize that FAA uses a full funding approach to its acquisition programs. This provides both the agency and the suppliers with a greater degree of certainty as to the availability of funding. It however has given the F&E account an extremely large unobligated balance increasing from $930 million at the the end of 1984 to $1,616 million at the end of FY-1985. In view of the Congressional commitment to the NAS improvement plan and in view of our shared interest in holding down domestic discretionary spending, what would your reaction be to funding this procurement program on a schedule more consistent with your actual funding needs instead of on a full funding basis which gives you unobligated balances almost approaching $1.6 billion at the end of 1985?

ANSWER: The large unobligated balance associated with the F&E appropriation is a direct result of FAA's "Full Funding" method of budgeting. Under this method of budgeting, only approximately 40 percent of the funding is usually planned to be obligated during the first year. The other 60 percent is reserved to complete the project during the following 3-4 years. FAA's "Full Funding" concept of budgeting in the F&E appropriation is entirely consistent with the administration policy to hold down discretionary spending. Cash is withdrawn from treasury investments in U.S. securities only as required to pay the obligations when they come due. In this manner, FAA's planned spending is held down to what is required to keep our National Airspace System Plan on schedule. To change from the "Full Funding" concept would only bring cosmetic benefits, no real value, in that unobligated balances would be less, but cash expenditures from the treasury would be unchanged. To try to constrain spending would adversely impact program accomplishment and lead to overall cost growth.

As your question acknowledges, "Full Funding" is really a very effective method of budgeting. It provides an efficient and effective manner of program management. A program can be planned from initial procurement through installation and commissioning over 4-5 years based upon a single Congressional review and approval thereby eliminating several multi-year budget requests and approvals for the same effort.

SENATOR CHILES: Mr. Fenello, I have noted in your statement (p. 11) the comment that based on progress to date and your FY 1985 request, you will have committed about 80 percent of the major programs in the NAS Plan by the end of FY 1985. However, if we provided your full request for FY 1985, you will have only approximately 25 percent of the needed funding. What is the basis for your statement indicating that on a contractural basis 80 percent of the NAS Plan is in progress?

ANSWER: The major hardware programs in the NAS Plan make up approximately $9.1 billion of the $11.4 billion NAS Plan. We are able to have 80 percent of the NAS Plan committed with only 25 percent of the total funding through the use of multi-year, incrementally funded contracts and contracting procedures enabling FAA to keep contractors involved throughout both the R&D and F&E phase of the contract. In developing the 80 percent committed level we assumed Congressional approval and appropriation of funds consistent with the authorized levels and the continuation of multi-year and design competition contracts.

SENATOR CHILES: Mr. Fenello, I noticed that your authorization for Facilities and Equipment for FY 1985 is $1,407,000,000 which compares to your request of $1,657,000,000. Why are you asking for over $200 million more than the authorized level when the authorization bill assumed the necessary National Air Space System Modernization funding?

ANSWER: The Airport and Airway Improvement Act, (PL 97-248 of September 3, 1982), authorizes funding for appropriation from the Trust Fund for fiscal years beginning after September 30, 1981, in aggregate amounts for Facilities and Equipment. The cumulative amount authorized through FY 1985 is $3.786 billion. The amount appropriated, plus the amount requested for FY 1985, is $3.293 billion. Therefore, the budget request, in fact, is within the current authorization.

MANAGEMENT CONTRACTOR FOR THE NATIONAL AIRSPACE SYSTEM PLAN

SENATOR CHILES: On January 31, 1984, the Committee approved a reprogramming request which permitted Secretary Dole to announce the award of the System Engineering and Integration contractor who will oversee or manage the $9 billion National Airspace System Improvement program. This is a 5-year contract with options to renew for 5 years with a potential cost of $684,087,010. Over $75 million of this total is for incentive or bonus payments for good performance.

In view of the fact that the National Airspace program planning began in 1981, was consideration given to hiring a management contractor earlier? Why after over 2 years did FAA decide to hire a management contractor?

ANSWER: The NAS Plan was developed in 1981, but the authorizing legislation for NAS Plan implementation was not enacted until August 1982. In September 1982, the reorganization planned by the FAA for its engineering organization was approved; and planning was begun for the procurement of a System Engineering and Integration Contractor. This planning was reinforced by the White House Science Council recommendation that the FAA should obtain a single contractor to design and integrate the entire air traffic control system. Specific procurement activities for the SEI contract began in January 1983, and the contract was awarded in January 1984. Considering the magnitude and complexity of the contract, this is not considered to be a long time for a contract award.

SENATOR CHILES: Will the new management contractor decrease the number of FAA staff required for National Air Space System work?

ANSWER: The Systems Engineering and Integration Contractor will provide mission support to the FAA for implementation of the NAS Plan, including planning, management support, overall system design, technical support to FAA program managers, systems integration planning, and NAS plan auditing. The SEIC workforce is supplemental to FAA's in-house staffing and offsets the need for additional government staffing to implement the plan. The SEI contractor will also provide technical personnel and disciplines to supplant a number of the existing engineering support contractors so that a full range of technical capability is available to ensure program success.

SENATOR CHILES: Please provide for the record the number of FAA staff that have been working full time on the National Airspace System Plan.

ANSWER: There are only four employees who worked full-time on the development of the 1984 edition of the National Airspace System Plan. However about 85% of the personnel assigned to the Office of the Associate Administrator for Development and Logistics and the FAA Technical Center are involved in implementing the NAS Plan. Additionally some personnel from the Office of the Associate Administrators for Air Traffic Control and Aviation Safety are involved in several aspects of the plans implementation.

SENATOR CHILES: What criteria will be used to evaluate whether or not the contractor will be paid the bonus payments?

ANSWER: Three performance categories will be used by the FAA in evaluating contractor performance. They are: (1) management of the contractor's resources applied to the NAS Program and the control of his own costs and schedules; (2) performance in the technical areas of NAS planning, overall NAS program management, program control tools, system-level engineering design and integration, and project management; and (3) achievement of NAS Plan schedule milestones, financial obligation objectives and cost-saving goals. An increment of fee may be paid to the contractor at the end of each 6-month period of the contract, based on the FAA's evaluation of performance in these three categories.

NOISE STANDARDS

SENATOR CHILES: In 1976, legislation was adopted to require aircraft to meet new noise restrictions. For domestic aircraft, these new restrictions were phased in starting in 1983 with completion scheduled for January 1, 1985. For aircraft involved in international operations, there was no phase-in schedule and all aircraft involved in international operations must meet the new noise restrictions by January 1, 1985. Applications of this new noise criteria will seriously affect the air commerce at Miami International Airport because of the great amount of air cargo that comes up from South and Central America. In conjunction with the appropriate authorities at Miami International Airport have you made efforts to develop an acceptable solution which will help ensure the continued free flow of air commerce, while not increasing the level of noise in surrounding communities.

ANSWER: In 1976, FAA issued regulations (14 CFR 91.301 et seq.) to require that large (over 75,000 pounds) civil turbojet airplanes meet at least the Stage 2 noise standards of 14 CFR 36 in order to operate into and out of U. S. airports on and after January 1, 1985. This regulation is an important element of the FAA's overall aviation noise abatement program. For domestic operators, the requirements were phased in, beginning in 1981, with full compliance by 1985.

The Congress thoroughly reviewed this requirement in 1979, and in the Aviation Safety and Noise Abatement Act of 1979 (49 USC 2122) specifically directed that the FAA require all air carriers, including foreign operators, to comply with the same noise compliance requirements previously applied to domestic operators. Accordingly, FAA amended that regulation to require both domestic and international operators to use only noise-compliant airplanes at U. S. airports on and after January 1, 1985. We intend to carry out that requirement aggressively.

We have held discussions with representatives of the Dade County Aviation Department, regarding a possible petition to extend the 1985 deadline for three years at Miami International Airport for international operations there. We have not received a formal petition from Dade County, however, seeking such an extension. We have just received petitions from several international operators who use Miami International Airport. These petitions for exemption or extension of the 1985 deadline will be published for public comment, and given full consideration before a final determination is made on each one.

FITNESS OF AIRLINES

SENATOR CHILES: Mr. Fenello, when we had the CAB before us on March 15, the Committee asked Dan McKinnen about airline fitness determinations that are now done by CAB. When the CAB Sunsets on December 31, 1984, airline fitness determinations will transfer to the Federal Aviation Administration. The Committee understands that there would only be a partial transfer of functions and the FAA will only perform air fitness determinations. The other fitness determinations, such as financial and management integrity will not be continued. Don't you feel that aviation safety will be jeopardized by not having financial and management integrity audits continue. How will the public be fully protected from unfit carriers if these determinations are not continued?

ANSWER: The FAA will determine fitness only as it relates to safety. The FAA does not believe that safety will be jeopardized by not having financial and management audits. If an air carrier is unfit due to safety considerations (which could be as a result of financial, management, or other causes) the FAA will not allow the air carrier to continue in operation.

RECOVERY FROM THE 1981 PATCO STRIKE

SENATOR CHILES: Mr. Fenello, I know that you and Lynn Helms have worked hard to bring the air system back to pre-strike conditions following the firing of over 11,000 air traffic controllers. I noticed in your statement that FAA has dropped the capacity control system that was put in place following the strike at all airports except Los Angeles and after the Summer Olympics, the restrictions at Los Angeles will be dropped also.

Your statement also noted that many of the new hires still require additional on-the-job training to bring them up to full performance level. Also many controllers continue to work overtime as a result of the air traffic rebuilding effort.

In the past year, the nation's air traffic control system has had several near mid-air collisions, including the very sensational incident that occurred between two Pan Am jumbo jets on January 1, 1984, near Miami, Florida

Has the Federal Aviation Administration (FAA) evaluated these mid-air collisions and the related controller performance in view of the "on-the-job" training that is still occurring for many of the new controllers?

ANSWER: The two Pan American jet aircraft involved in the January 1, 1984, near mid-air collision were being controlled by a very experienced Supervisor and a very experienced Full Performance Level (FPL) controller. No training was involved. No training is involved in the majority of the operational errors reported in the air traffic control system, and in only a few of the errors reported which occurred while on-the-job training was in progress, has the training been any factor in the operational error.

SENATOR CHILES: There has also been a rash of aircraft collisions with ground vehicles or near collisions that have been reported to the Committee by the National Transportation Safety Board. These have occurred at Anchorage, Alaska; Sioux Falls, South Dakota; Cincinnati, Ohio; and New York. There was also the recent incident at Cincinnati where a landing airplane narrowly missed snow removal equipment. The combined experience of all the personnal on duty in the tower was only 24 months. Do you believe that these controllers still require supervision by someone with more experience? Isn't there a way to ensure that newly hired employees receiving on-the-job training are better supervised to avoid the several on-ground collision that have occurred recently.

ANSWER: A review of the 1983 and early 1984 operational errors occurring between aircraft or aircraft and vehicles does not indicate that the problem significantly relates to new employee training or experience. New controllers are trained and qualified on the two positions involved, local and ground control, before entering radar training. Therefore, newer controllers work these positions more often. We would, therefore, expect a slightly higher ratio of errors of this type to be attributable to less experienced controllers than would be found in errors related to radar control.

During the past 15 months, 52% of airport surface errors have involved controllers with less than 2 years' experience on the control positions involved. The remaining 48% involved controllers with 2 or more years experience and a surprising 25% involved controllers with more than 10 years experience. We, therefore, believe that the occurrences relate more to an awareness problem than to a new controller training or experience problem. We are, therefore, working to increase controller and supervisor awareness of the potential for these situations to develop, and the use of more visual reminders to the controllers when the potential exists.

In the case of the Anchorage, Alaska, error, one controller had been qualified on the position for about 6 months and the controller on the other position had almost 10 years' experience. In the case of the Sioux Falls incident, the controller involved in the error had been a Full Performance Level controller for 14 months, while a supervisor with over 7 years' experience was working the related positions In both errors at Cincinnati, Ohio, the controllers were relatively experienced, however, the controller most involved in the incident with the snowplows had been an Air Force controller for 6 years and could not be considered inexperienced in that aspect of air traffic control.

FAA TO REQUIRE AIRPORTS TO SUPERVISE FUELING OPERATIONS

SENATOR CHILES: I have heard from a number of airports in Florida strong opposition to the FAA proposal to require airports to assume new responsibilities for the regulation of fueling operations. It is my understanding that FAA will issue a proposed rule later this spring that will require all 600 air carrier airports to assume these new responsibilities. Essentially this requirement will force all air carrier airports to include in their lease agreements the new FAA requirements. In addition, the airports will then be required to enforce the regulations with their own personnel and their own inspections. The proposed rule will not cover the 10,000 general aviation airports across the country which have a much worse safety record.

Since FAA is responsible for aviation safety and because airports themselves have no capability at the present time to regulate fueling operations why shouldn't the FAA assume these new responsibilities themselves?

ANSWER: Section 139.51(b) of the Federal Aviation Regulations (FAR) presently states that the applicant for an airport operating certificate must show that it (or its tenant), as the fueling agent has trained personnel and procedures for safely storing, dispensing, and otherwise handling fuel, lubricants, and oxygen on the airport. FAR Part 139 became effective July 21, 1972. It was issued pursuant to an amendment of the Federal Aviation Act of 1958 requiring that air carrier airports be certified after meeting minimum safety standards. Currently, 678 airports hold certificates.

It is true that the FAA is planning to issue a Notice of Proposed Rulemaking (NPRM) proposing to amend FAR Part 139 in August or early September of 1984. Through this process, the views of the entire aviation community will be solicited. All views will be carefully considered in any revision to the regulation. The agency does not intend to relieve fueling tenants of their basic responsibility to conduct safe fueling operations nor to interfere with the ultimate responsibility of the pilot in command for the safe operation of the aircraft.

General Aviation airports are not covered by FAR Part 139. There is no statutory requirement for the certification of these airports. Licensing of aviation fuelers by the FAA has been suggested by some. FAA is currently reviewing the question of whether there is legal authority under the Federal Aviation Act of 1958 to license fuelers.

IMPROVING THE CRASH WORTHINESS OF GENERAL AVIATION AIRCRAFT

SENATOR CHILES: The National Transportation Safety Board has urged FAA to issue a rule to require general aviation manufacturers to improve the crash worthiness of their aircraft. Currently the construction standards used for general aviation aircraft are less stringent than those used in automobiles. The National Transportation Safety Board has argued that many of the over 1,000 annual fatalities that occur as a result of general aviation accidents could be avoided if general aviation aircraft were manufactured with reinforced floors, seats and cabin frames.

I understand that when Mr. Engen was a member of the National Transportation Safety Board, he took a strong interest in this. What are FAA's plans to improve the crash worthiness of general aviation aircraft?

ANSWER: The Federal Aviation Administration's (FAA) Small Airplane Certification Directorate has been very active in improving crashworthiness of general aviation aircraft. This includes extensive research and development programs:

(1) General Aviation Crashworthiness Plan. We have developed a plan which will serve as a policy guideline for executing general aviation crashworthiness program activities. The program criterion place emphasis on the dynamic loads associated with survivability, under crash conditions with the goal of reducing injury to occupants in the crash environment.

(2) Criteria for Dynamic Testing of General Aviation Airplane Seats. We are working closely with the FAA sponsored General Aviation Safety Panel to develop a criteria for the dynamic testing of general aviation airplane seats. The criteria will be presented

to the Small Airplane Certification Directorate in May 1984, for incorporation into the Federal Aviation Regulations (FAR) Part 23 Airworthiness Review.

(3) Static Test Procedure for Restraint Systems. A static test procedure to standardize the approval of restraint systems to show compliance with the requirements of FAR Part 23.758 is under development. In a letter dated October 14, 1983, the General Aviation Manufacturers Association (GAMA), petitioned the FAA to require the installation of shoulder harnesses at all seats of small airplanes manufactured after December 31, 1984, that are not used in air commerce for compensation or hire. A Notice of Proposed Rulemaking (NPRM) has been drafted which parallels the GAMA proposal.

(4) Definition of Crash Scenario. The development of an appropriate definition of a crash scenario for use in design, utilizing the research and development efforts on general aviation airplanes, the results of the NASA full-scale drop tests, and the study being undertaken by the FAA's Technical Center in reviewing accident data is underway.

(5) Crash-Resistant Fuel Systems. We have under study several possibilities for reducing the leakage of fuel in crash situations. Included are consideration of fuel tank filler connections, fuel tank installations, fuel system lines and fittings, and fuel system vents and drains. Fuel cell bladders will be the subject of subsequent consideration. An NPRM to implement more crash resistent fuel systems is being developed.

(6) Turnover Protection of Occupants During Emergency Landing. The draft of an Advisory Circular (AC) on turnover protection is being developed. We expect to issue the AC in December 1984.

(7) Flammability Requirements for Aircraft Seat Cushions. An assessment of the Transport Airplane Certification Directorate's actions covering this subject is planned. As a result of this assessment follow-up actions appropriate to small airplanes will be developed.

(8) Anti-Misting Kerosene. A review of Transport Airplane Certification Directorate's actions covering this subject is planned. Follow-up actions as appropriate to small airplanes will be considered.

(9) Flammability Tests. A draft Advisory Circular was published in the Federal Register in March 1983 and the AC will be published in December 1984.

(10) The following Advisory Circulars relating to crashworthiness have been issued by the Small Airplane Certification Directorate:

o Emergency Evacuation Demonstration From Small Airplanes. Issued July 12, 1983.

o Emergency Exits in Small Airplanes. Issued September 7, 1983.

o Doors Between Pilots Compartment and Passenger Cabin in Small Airplanes. Issued September 22, 1983.

o Emergency Exits Openable From Outside for Small Airplanes. Issued March 1984.

(11) SOM-LA and KRASH Computer Programs. A review into further validation of these computer programs using current general structural configurations is scheduled.

(12) Long-Range Programs.

o Energy Absorbing Structural Design. This covers the review of energy absorbing capability and the related dynamic response of airplane structures when subjected to impact loads. Failure mode patterns and their relation to maintaining an occupiable cabin environment will be assessed.

o DYCAST Computer Program. Mathematical modeling of aircraft structure by use of the DYCAST Computer Program will be assessed. This will augment the capability developed under KRASH programs now being used. This computer program is another approach to that established by the KRASH program.

AIRCRAFT LOAN GURANTEE PROGRAM

SENATOR CHILES: Mr. Fenello, I noticed in your budget justification (p. 273) that you are asking for an additional $75 million of loan guarantee authority to support payments you expect to be required as a result of aircraft loan defaults. I understand that you currently have one loan default on hand for $11.8 million as a result of a Texas Continental default. While I recognize that you prefer not to reveal the actual name of the companies that you expect to default, the Committee would like to know how many additional defaults you expect? In view of the fact that the overall economic conditions for the airline industry have been improving, do you still expect an additional $63 million in defaults? For the record, please provide the amount of loans currently guaranteed for each loan guarantee recipient.

ANSWER: The number of additional defaults is unpredictable. It depends on factors such as general economic conditions, productivity improvements carriers in difficulty can effect, the availability of alternative financing, and the airlines' payment schedules in relation to seasonal travel peaks. As a result, for planning purposes, we develop "worst case" scenarios from time to time. One we prepared in early March for the second half of FY 1984 projected defaults by six additional carriers at a total cost of $49,678,263. This includes a default by only one of the larger carriers having our guaranteed loans. By the end of FY 1985, defaults by those six carriers in combination with a default by another of the larger carriers could exceed the $63 million. A list of recipients of guaranteed loans, and guaranteed portions of their loan balances as of 3/31/84 follows:

GUARANTEED AIRCRAFT PURCHASE LOANS AS OF 3/31/84

Airline	Loan Number	Guaranteed Portion of Outstanding Balance ($000)
Air California	150,135	$ 32,206.3
Alaska Airlines	035,047,054	6,505.6
Aloha Airlines	052,071,090,101	34,123.9
Hawaiian	073	65,406.0
Midway	088	17,366.4
Muse Air	133	30,442.5
New York Air	134	22,315.5
Ozark	055	3,410.3

Pacific Southwest	078,121	78,983.9
People Express	125	41,897.5
Piedmont	056,095,130	60,618.0
Republic	039,044,051	19,161.6
Zantop	086	200.5
Air U.S./Excellair	108,129,157	9,265.9
Air Wisconsin	084	2,160.0
Atlantic Southeast	126	884.2
Big Sky Airline	094,112	1,594.1
Britt	093,161	6,859.2
Cascade Airways	144	11,467.0
Chaparral Airlines	165,080,107,119 150	5,521.2
Mid Pacific Airlines	137,164,169	10,624.1
Mississippi Valley	064	2,421.1
Pioneer	111	1,172.2
Pocono	087	2,336.0
Rio	061,122	2,604.0
Scheduled Skyways	072,114	4,442.3
Suburban Airlines	059,109	5,971.0
Tennessee	099	653.5
		$ 480,163.8

REGISTRATION OF ULTRALIGHT AIRCRAFT

SENATOR CHILES: Mr. Administrator, I certainly appreciate the FAA's desire to not inflict federal regulations on ultralight aircraft which many call a sport. The trouble is that ultralights are getting bigger, carrying greater horsepower, beginning to look more and more like aircraft. In fact, in many instances, they are being used for transportation and not sport. People are commuting to work across county and state lines in ultralights. Police are using ultralights in daily operations. Manufacturers are using the fact that ultralights are unregulated as a major selling point.

I also understand that your Office of Aviation Policy and Plans is conducting a study to determine the impact that the growth of the ultralight industry has had on the economic recovery of the General Aviation industry. To the extent people are using ultralights instead of general aviation aircraft, it further supports the view that ultralights are not a sports item.

If ultralight use for purposes other than a sport continues to grow, don't you feel that FAA will have to reassess its position on the need for regulations?

ANSWER: The flying of ultralight vehicles in the United States is regulated by Part 103 of the Federal Aviation Regulations (FAR). The applicable section of that rule provides that ultralights may only be used for sport and recreational purposes and limits the effective range by limiting the fuel supply to 5 U.S. gallons. Further, it provides maximum speed limitations and overall weight limitations. Only those craft conducting authorized operations, and designed to the speed, fuel, and weight limitations, are allowed operating privileges under FAR Part 103. All other aircraft, even those constructed using ultralight type materials and design techniques that do not strictly meet the specific limitations contained in Part 103, are subject to the same body of rules governing conventional aircraft operations. Those rules, of course, require pilot certification, aircraft registration and certification, etc. For instance, the police operations that you cite are conducted in aircraft that have been designed and supplied by ultralight vehicle manufacturers to operate similar to ultralights. These aircraft are registered and marked in accordance with Parts 45 and 47 of the FAR and are operated in accordance with the same operating rules applicable to all other public aircraft. We feel that there is an adequate level of safety when ultralights that meet the applicability criteria of Part 103 are operated in accord with the limitations set forth in that operating rule. All other operations, even those conducted in "ultralight look alike type aircraft," must be conducted in accordance with the strict and more pervasive conventional aircraft rules.

The study by the Office of Aviation Policy and Plans regarding the economic impact of the ultralight phenomenon on sales of conventional general aviation aircraft is not complete. However, while we expect that sales of single or even two-place personal aircraft used for sport flying may have been impacted slightly, the fact that ultralights are slow, single place, and only capable of operating in the best flying weather conditions, make them impractical for anything but sport or recreational use. Because ultralights are somewhat fragile, use power plants of less reliable nature, and are not designed to any specific standards of performance and controllability, their use for aerial work is not practical in the current state of their development.

As these factors change in the ultralight industry, perhaps it will be necessary for FAA to reassess the current ultralight regulatory posture. In the meantime, we are working closely with the ultralight industry, as we are with all other airspace users, to provide a safe national airspace system with the minimal burden on the flying public.

MINIMUM APPORTIONMENTS FOR GRANTS-IN-AID PROGRAM

SENATOR CHILES: The grants-in-aid program for Federal Aid Highways was changed by the Surface Transportation Assistance Act of 1982 (P.L. 97-424) to provide for an 85 percent minimum apportionment to states based on their contribution in taxes to the Highway Trust Fund. Interest has been expressed by some states to provide for a similar minimum apportionment to states for the Aviation Trust Fund. This approach appears to track very closely with the Administration's views on deregulation and its desire to let state and local governments assume a greater responsibility for their own affairs.

What is the Administration's view of providing a 85 percent minimum apportionment to states? Please provide for the record what each state would have received in the most recent fiscal year for which data is available compared to what they actually did receive.

ANSWER: The Administration does not favor providing an 85 percent minimum apportionment to the states for the Grants-in-Aid for Airports program. It is the intention of the Airport and Airway Development Act of 1982, which is supported by monies from the Trust Fund, to improve and enhance the safety and efficient operation of the national airspace system. Airspace system safety and operating considerations are national in scope, transcending state boundaries. It is essential to overall safety to provide funding for areas which are sparsely populated but which support or are transited by heavy air traffic.

The Aviation Trust Fund is derived primarily from air passenger ticket taxes. There are no meaningful data available on ticket tax revenues generated by states. An airline, for example, headquartered in Atlanta would pay taxes from the state of Georgia, although the basis of the tax is a national route system.

SENATOR CHILES: How best do you think a minimum apportionment of aviation funds to the states based on contributions to the Trust Fund could be made to work?

ANSWER: It isn't feasible to construct a desirable minimum apportionment of funds to states.

BUDGET AMENDMENT FOR 166 MORE SAFETY INSPECTORS

SENATOR CHILES: I was pleased to see your budget amendment for 166 more safety inspectors. Concern had been expressed that the 23% reduction in FAA field inspectors since FY 1981 conveyed the wrong message to airlines and the traveling public. The budget amendment provides no new funding but instead the funds come from the conversion of temporary positions and savings assumed from a later implementation data for flight service station consolidations. What implementation date are you assuming for the flight service consolidation with regard to this initiative and what will be the full year funding required for these inspectors?

ANSWER: The lead-time required to implement an FSS consolidation and the moratorium imposed on consolidations by the Congress until April 15, 1984, will delay completing implementation of some consolidations originally planned for FY-1984 into FY-1985. Full-year funding in FY-1985 for the additional inspectors is $6.6 million, which is made up of the following:

a) $3 million already in the budget for 100 temporary air carrier positions to be converted to permanent;

b) Reprogramming $1 million associated with the Flight Service Specialists and,

c) Releasing $2.6 million of leased communications funding in anticipation of new (1985) rate increases resulting from AT&T divestiture. This was done because safety is our top priority, and the cost of the divestiture is not yet fully known.

FAA FLEET CONVERSION PROGRAM FOR FLIGHT INSPECTION AIRCRAFT

SENATOR CHILES: In 1983 the Congress appropriated $30 million to procure 15 medium twin-engine turboprop aircraft and funds for four additional aircraft were included in FY '84 appropriation bill. At the time these matters were before the Congress, we were told that the cost of procuring new aircraft would be less than life service extension costs for existing aircraft. Further, the replacement aircraft would save a significant amount in fuel costs each year over existing aircraft.

We understand that these facts have been revalidated and confirmed and that the program has been awaiting approval by the Transportation System Acquisition Review Council.

Would you update us on this process and when you expect to initiate procurement?

ANSWER: The Transportation System Acquisition Review Council chaired by the Deputy Secretary is scheduled to meet on April 16 to consider the Fleet Conversion Program. We expect to initiate procurement immediately upon approval of the program by the Deputy Secretary.

ROSSYLN HIGH-RISES CAUSE AVIATION HAZARD

SENATOR CHILES: Mr. Fenello, as you know, a great deal has been written in the local press regarding the aviation hazards caused by the USA Tower building in Rosslyn, Virginia. Last week when Jim Burnett of the National Transportation Safety Board was before us, he told us that FAA has moved on 3 of their 4 recommendations. The remaining recommendation relates to the minimum safe altitude alert systems. Apparently these alerts are going off at the National Airport control tower but controllers are not informing pilots in many of these cases. What can you tell us about FAA intentions to begin using the minimum safe altitude alert system in a more serious manner?

ANSWER: The FAA is using the Minimum Safe Altitude Warning (MSAW) System seriously, as it was intended to be used. We take the system seriously. The MSAW system is designed to alert the controller to a potentially unsafe condition by sounding an alarm and presenting a visual alert. In the wake of questions raised as to the reliability of this system at National, this equipment was examined, and flight tests were conducted to ascertain that the equipment performed as intended. These reviews have uncovered no evidence of problems with the altitude warning systems. Moreover, discussions with FAA electronic engineers have not revealed any unusual performance characteristics. However, we will continue to monitor the system to ensure its performance, and to determine if there are any areas where the system can be improved.

As provided for in the FAA Handbook 7110.65C, Air Traffic Control, paragraph 33, Safety Advisory, safety advisories are issued based on the controller's judgment. If an alert is received from the computer which indicates a possible low altitude situation for an aircraft, a controller may visually observe the aircraft's position, its rate of descent and/or altitude and elect through his judgment not to issue an advisory.

The controller's decision to issue or not to issue an alert is based on actual position of an aircraft as visually observed, especially with reference to obstacles. The decision is not predicated on the computer's extrapolation process, but rather the dynamic expertise of an experienced air traffic controller.

HUMAN FACTOR RESEARCH

SENATOR CHILES: When the National Transportation Safety Board was before the Committee on March 26, Jim Burnett, the Chairman of the Board, told us that over 60% of all accidents were caused by human factors. Yet most of the FAA research has been focused on improving equipment-related problems. The human factor area seems to be the last frontier in aviation safety. Mr. Fenello, what is your view of what can be done to reduce the number of accidents caused by human factors and what specifically is FAA now focusing on in this area?

ANSWER: The FAA is currently focusing on a number of programs related to human factors which, in my view, can reduce the number of accidents caused by deficiencies in human performance. Specifically:

(1) FAA is developing a prototype training program designed to improve the judgement of student pilots. Concept validation is underway using over 100 general aviation pilots.

(2) FAA is testing modified maps, charts, and procedures designed to reduce interpretive errors by pilots. This project was initiated as a result of user recommendations and accident data identified during the National Airspace Review.

(3) The FAA is developing an Aviation Behavioral Technology Program. In developing this program plan, priority safety issues will be identified and a program established to resolve the issues. As a part of this task, state-of-the-art workload assessment methodology will be identified so that an accepted baseline workload measurement can be used by researchers to assess the impact on the cockpit of automation in the National Airspace System.

(4) In addition, the FAA is actively participating in a new Society of Automotive Engineers committee which is developing aviation human factor standards and guidance documents. This committee, Aviation Behavioral Engineering Technology (G-10), is comprised of members from the aviation industry, DOD, and NASA. The purpose of this committee is to focus on the philosophies, principles, and criteria by which designers, engineers, pilots, and behavioral scientists structure systems to achieve maximum workload compatibility for automation efficiency.

THE MINORITY INSTITUTION NOT YET SELECTED
FOR AIRWAY SCIENCE PROGRAM

SENATOR CHILES: In the Fiscal Year 1983 Supplemental, this Committee earmarked $5 million for an airway science program. This funding was intended for 2 institutions with 1 of them to be a minority school. While the University of North Dakota has been selected and has received grant funding for this purpose, the selection of a minority school is still pending. When will the award to a minority school be made and why has there been such a delay.

ANSWER: On February 22, 1984, Secretary Dole sent a letter to Chairman Hatfield, Chairman Andrews and Chairman Lehman on the status of the disbursement of funds. Secretary Dole further stated in this correspondence that we see no need for additional funds to make further grants to educational institutions and that we are in the process of considering the most equitable means of awarding the remaining $2.25 million to a minority institution. We have met in September, 1983 and again in March, 1984 with representatives of the Department of Education to establish the

procedure and criteria needed to solicit proposals from minority institutions. We are currently preparing the guidelines to be published in the Federal Register for submission of proposals for the purchase or lease of buildings and associated facilities, instructional materials, or equipment to be used to develop, enhance, or expand an airway science curriculum. We expect to publish in the Federal Register, receive and review proposals and make a final selection by the end of this Fiscal Year 1984.

HUMAN RELATIONS

SENATOR CHILES: Following the Air Traffic Controllers strike in 1981, the Administration commissioned a study referred to as the Jones Report to investigate FAA management practices. I noticed in your statement that as a result of the problems pointed out by the Jones Report, a major effort to improve human relations within the FAA has been launched. Your statement mentions that the new approach, which is called Human Resources Management, seeks better relationships among employees by encouraging more employee participation in decision making. This sounds a great deal like the much talked about Japanese style of management. We have heard from several FAA employees that this new effort does tend to slow the decision-making process down. What is your assessment of the new program and how it is working? Do you have any tangible evidence that the problems pointed out in the Jones Report have been improved by this new Human Resources Management program?

ANSWER: FAA's approach to Human Relations is neither drastic or revolutionary, it is simply good management practices. It is not strictly speaking a Japanese style of management. When a decision has a large impact on the work force, the work force is offered an opportunity to have input on the decision making prior to the decision being made. Also, when decisions are made that have a large impact on the work force, human relations considerations are taken into account. For example, when facilities are consolidated, this often requires that some employees be relocated. A decision of this sort must take into careful consideration all the human relations aspects and the impact upon employees. This basically is what the effort is aimed to accomplish. The aim of the human relations effort is to change the culture of the FAA such that human considerations are brought to play in decision making and in daily agency routine operations.

As a part of the human relations effort, approximately 920 employee involvement groups have been organized comprised of more than 6,000 people. In addition, the agency's human relations staff has held approximately 1,280 workshops and training sessions attended by nearly 11,000 people. The FAA's Management Training School has trained over 4,700 in human relations management procedures, and another 1,200 are scheduled to take the Human Relations Management training course by the end of this fiscal year.

In April 1982, the "Jones Committee" performed a review of the Human Relations program and stated that the FAA had made significant progress toward resolving its management/nonmanagement problems. According to the Jones Committee the FAA had come much further than they had

anticipated. Recently, at an oversight committee hearing held by the Civil Service and Public Works Committee, Larry Jones, Chairman of the Jones Committee, further iterated his confidence in the progress the human relations effort was making in the FAA. While most of the evidence of the progress of the human relations effort is anecdotal in nature, there are numerous reports of continuing success in the human relations effort. Human relations committees are continuing to take on more and more important issues in facilities across the United States. The human relations committees are designed to assist management in resolving human relations problems at the local level. In May 1984, a system-wide assessment is planned to determine the current status of the FAA in regard to human relations. The comprehensive survey will consist of a questionnaire and will be followed up by a series of interviews across the system. The data will be combined in a final report which will be issued toward the end of August 1984.

QUESTIONS SUBMITTED BY SENATOR BYRD

SENATOR BYRD: Would you submit, for the record, a breakdown of the analysis you have done on each of the airports in West Virginia previously identified as candidates for closure, as well as the formula on which the cost-benefit ratio is based?

ANSWER: Results of applying FAA tower discontinuance criteria to the four airports identified in West Virginia are shown below. Column one shows Phase I results, based on the last full year of pre-strike activity, 1980. Column two shows the benefit-cost ratios derived from reported and forecast aircraft activity for 1980 through 1994 and national average costs and values. Each potential closure candidate for 1984 was also subjected to a revised benefit-cost analysis using reported and forecast aircraft activity for 1982 through 1996 and actual tower operation, maintenance, and shut-down costs. The revised ratio for Lewisberg, the only 1984 candidate, is shown in column three.

	Benefit-Cost Ratios		
Location	Phase I (1980)	Phase II (1980-94)	Revised (1982-96)
Clarksburg	0.98	1.08	--
Lewisburg	0.42	0.37	0.29
Morgantown	0.94	0.95	--
Wheeling	0.88	0.79	--

Phase I tower discontinuance criteria formula is

$$\frac{AC}{15,000} + \frac{AT}{40,000} + \frac{GAI}{75,000} + \frac{GAL}{125,000} + \frac{MI}{20,000} + \frac{ML}{35,000}$$

where AC = air carrier operations, AT = air taxi, GAI = general aviation itinerant, GAL - general aviation local, MI = military itinerant, and ML = military local. If this sum drops below one for three consecutive reporting periods, the tower becomes a discontinuance candidate and a Phase II benefit-cost analysis is performed.

The Phase II benefit-cost analysis compares the costs of continuing to operate the control tower over a fifteen year period with the tower benefits:

Benefits	Costs
Safety	Operation
Fatalities Avoided	Maintenance
Injuries Avoided	Shut down
Property losses avoided	
Efficiency	
Saved operating costs	
Saved time	

Benefit/cost ratio = (Sum of benefits)/(Sum of costs)

Additional details may be found in "Establishment and Discontinuance Criteria for Airport Traffic Control Towers" (FAA-APO-83-2).

SENATOR BYRD: Would you also provide, for the record, an explanation on the contracting out of the towers mentioned in your October 1, 1983, report?

ANSWER: The contract tower program includes 15 locations in FY 1984 and 11 of these facilities were identified in our October 1, 1983, report. These 11 facilities are Flagstaff, AZ; Merced, CA; Owensboro, KY; Cape Girardeau, MO; New Bern, NC; Ardmore, OK; Pendleton, OR; Mayaguez, PR; North Myrtle Beach, SC; Laredo, TX; and Lewisburg, WV. An additional 30 control towers are planned for inclusion in the contract tower program in FY 1985 but the sites have not been selected yet pending development of a formalized program.

The concept of the contract tower program is to bring the operation and maintenance of low activity VFR control towers under the administrative jurisdiction of a state or local government for the purpose of providing services at minimum cost using non-Federal personnel. The purpose of the program is to reduce the size and cost of Government, to satisfy user and sponsor needs and desires, to comply with Congressional interest and guidance, and to fulfill the FAA's mission to ensure air safety, promote air commerce, and support national security in the most economical manner.

Questions Submitted by Senator Hatfield

APPROACH CONTROL CONSOLIDATION

SENATOR HATFIELD: It is my understanding that the FAA is contemplating the consolidation of approach control functions. One site affected by this proposal is Medford, where the approach control functions presently located in that community would be transferred to Seattle. What is the status of that consolidation? Will the decision to consolidate be made by the Northwest Mountain Region or by FAA in Washington, D.C.? Is it the intention of FAA to consult with Congress on this matter? If so, what form will this consolutation take? Lastly, what factors are considered in determining whether consolidation is "cost-effective"? Do these factors include the cummulative magnitude of aircraft flight costs, delay in service to aircraft operators and safety? If so, what magnitude is assigned to these items? If not, why not?

ANSWER: In the National Airspace System Plan, there is a program entitled "Integration of Nonradar Approach Control into Radar Facilities." This program allows the nonradar approach control functions, currently being performed at lower activity nonradar towers, to be absorbed into adjacent radar facilities. Each of these candidate facilities will have an individual site study performed in order to determine the benefit of such a move to both user and FAA alike. Those facilities whose studies show the move to be advantageous to both the system and user will then have the nonradar approach control function absorbed by an adjacent radar facility.

Each of the nine FAA regions is responsible for making individual site studies within its area. The Region will make the determination regarding integration pursuant to the study without further input. In the case of Medford, Oregon, the Northwest Mountain Region has made the determination to defer integration until improved radar coverage is provided and additional refinements in transference of radar and communication data and staffing are realized. Radar vectors to initial approach fixes, utilization of radar separation standards, reduction of interfacility coordination, and reduction in the number of control positions required for performing this function are some of the possible benefits to be derived from such an integration.

EUGENE FLIGHT STANDARDS FIELD OFFICE

SENATOR HATFIELD: As you know, there has been correspondence between the Senate Appropriations Committee and the FAA regarding the proposed closure of the Eugene General Aviation District Office (GADO). This correspondence culminated in FAA agreeing to retain a satellite Flight Standards Office in Eugene with staffing reduced from five to two. Is this a correct understanding of the agreement?

ANSWER: That is correct.

SENATOR HATFIELD: The FAA Northwest Mountain Region Office, in response to my inquiry, stated that additional staff would be placed in Eugene should there be 1) a significant increase in the number of FAA certificated operators or six agencies requiring close daily contact, 2) travel and subsistence costs approaching levels for increased staffing, and, 3) a substantive increase in the number of public complaints to FAA regarding the level of service being

provided. Could you supply for the record the present levels for each of the items mentioned above (i.e., the number of certificated operators and agencies, travel and subsistence costs, and the present number of public complaints). To what level would these matters have to increase in order to reach the threshold for placing additional staff in Eugene? Would all three of these levels have to be met or could they be met individually in order to trigger additional staff?

ANSWER: There are no simple numerical values that are appropriate as thresholds for increasing inspector staffing based exclusively on parameters such as numbers of inspectors or public complaints. Judgments are required on a case-by-case basis for such a determination. The complexity of a new operator or the significance of a complaint, for example, would be considered in determining what level and type of additional staff may be needed. Considering a specific example, the addition of responsibility for an FAR Part 121 certificated carrier to an office such as Eugene may require the assignment of one or more air carrier operations or airworthiness specialists. Whereas, the addition of several FAA Part 135 operators may not require staffing changes. Regarding public complaints, the inability of applicants to get pilot certificate testing services may, in some cases, require addditional inspector personnel to monitor an increased number of designee examiners. Conversely, public concerns regarding the inaccessability of FAA inspectors or services for face-to-face consultation on matters which can be handled through other means would not be a basis for increased staffing. If the significance were great, the change in any one of the three major items could result in a staffing change. Typically, it is a combination of factors which leads to any such decision.

PENDLETON AIR TRAFFIC CONTROL TOWER

SENATOR HATFIELD: As you know, the Senate Appropriations Committee in the report accompanying the FY 84 Transportation and Related Agencies bill and by letter on November 18, 1983, directed FAA to reopen the Pendleton Air Traffic Control Tower. What is the status of this matter? Has the FAA contacted Pendleton with a definite time for reopening? If so, what is that time?

ANSWER: The FAA's Northwest Mountain Region has been working closely with Pendleton airport and city officials on the reopening of the control tower under the contract tower program. The final contractual agreement, statement-of-work, and lease arrangements were sent to the local officials in April. The target date for reopening the tower is August 1984.

SENATOR HATFIELD: It is my understanding that there is disagreement between FAA and the contract air traffic control towers over the application of the Service Contract Act to persons hired by those towers. There have been statements made that a total of five persons would have to be hired to trigger the application of the Act, with a dispute existing over whether the level of five employees applies to total staff or only personnel within each category (i.e., air traffic controllers, maintenance personnel, etc.). Could you provide for the Subcommittee an opinion on how the Service Contract Act applies to the contract air traffic control tower program. In addition, I am most interested in how the Act would apply specifically to Pendleton and whether the level of staffing at Pendleton would result in the Service

Contract Act being applied. Lastly, what affect would the Act have on the costs for reopening and maintaining the Pendleton Air Traffic Control Tower? How would those costs differ with the costs for reopening and maintaining the tower in Pendleton should the Act not be applied? Is it possible that the FAA could determine that the costs are so high as to not reopen or maintain the tower?

ANSWER: Insofar as we are aware, there is no disagreement over the application of the Service Contract Act to air traffic control services. The Act applies to "service employees." This term includes air traffic controllers, maintenance employees, janitorial employees, and other workers except professional, executive, or administrative employees as defined in Labor Department Regulations (29 CFR Part 541). Under the Act, the Department of Labor must provide a minimum wage determination if more than five service employees are to be employed on the contract, and may, but is not required to, provide a wage determination if five or fewer service employees are to be employed. Regardless of the number of service employees involved, and whether or not a wage determination is furnished, the Act prohibits payment of less than the Fair Labor Standards Act minimum wage (presently $3.35 per hour).

Our experience to date is that where more than five service employees have been involved, the Department of Labor has furnished a wage determination prescribing a wage rate and fringe benefits for air traffic controllers identical to those paid to controllers employed by FAA at GS-10, Step 2. This amounts to about $26,000 per controller per year, plus the cost of paid vacation, nine paid holidays per year, and night differential. It is our understanding that at Farmington, New Mexico, and Owensboro, Kentucky, where wage determinations were not furnished, the contractors are paying controllers about half of the above amount. Though we cannot assume from this limited experience that such a large pay differential would always occur, we are of the opinion that the pay differential between "wage determination" and "no wage determination" situations would be significant in all cases.

In situations where the number of air traffic controllers will be five of fewer but the total number of service employees will be more than five, it is FAA's current policy to award two contracts, one for air traffic control services and the other for maintenance, janitorial work, etc. Under this policy, which has been in effect since March 23, 1984, two wage determination requests are submitted to the Department of Labor by letter, explaining that two contracts are to be awarded at approximately the same time for different work to be accomplished simultaneously at the same location. Thus, the Department of Labor has full information and latitude to decide whether a wage determination should be furnished for either or both of the contracts.

To date, in every case where five or fewer employees are to be employed, the Department of Labor has chosen not to issue wage determination for air traffic controllers.

With regard to Pendleton, Oregon, five service employees (four controllers and one electronic technician) are to be employed, and the Department of Labor has advised us that no wage determination will be furnished.

AUTOMATED FLIGHT SERVICE STATIONS

SENATOR HATFIELD: There have been reports from those communities that have been selected for Automated Flight Service Stations (AFSS) by the FAA of the establishment of varying requirements for selection. For example, some communities were required to use local tax dollars to construct a building with space to be leased by the FAA at below market rates, while in other communities FAA will construct the building and merely lease the land on which the building is located. (McMinnville, Oregon in former category, Seattle in the latter). What is the justification for the diverse treatment of these communities by the FAA? Was the same criteria applied to each community? If so, why did FAA choose to construct buildings in some locations, while requiring other communities to use local tax dollars?

ANSWER: In order to make certain that all interested parties within a given flight plan area were aware of the AFSS program, letters were sent to all airports within the area and notifications of proposed flight plan area meetings were placed in the Commerce Business Daily. During the flight plan area meetings, all attendees were provided with a comprehensive Solicitation for Offer (SFO) which contained specifications and requirements for the AFSS along with evaluation criteria and initial offer due dates. For those interested parties who could not attend, SFO's were made available on request. Participation in this program by individual communities was on a voluntary basis and the FAA made no requirements on anyone except to establish our basic building specifications and requirements which would have to be met. Communities were free to make any offer of their choosing.

Procedures from the Federal Procurement Regulations (FPR) are being followed in the AFSS site selection process to ensure that all participants are treated fairly while also ensuring that the selected location represents the lowest life-cycle cost to the Government. In determining the life-cycle cost, all associated costs (lease cost, telecommunications cost, utility/service cost, one-time cost, etc.) are taken into account and calculated over the time period projected as the minimun operational life expectancy of the AFSS. This analysis considers both lease construction and Federal construction. The Federal construction alternative is considered for all locations submitting proposals as well as the primary site (i.e., where the FAA would construct if Federal construction were the only alternative) to ensure that the final selection is the most cost effective in terms of overall costs.

In the specific cases cited here, McMinnville, OR, and Seattle, WA, our analysis indicated it would be more cost effective to lease at the McMinnville site and construct at the Seattle site after analyzing all factors relative to the locations which made offers within the respective flight plan areas.

CORVALLIS INSTRUMENT LANDING SYSTEM

SENATOR HATFIELD: In 1978, there was a serious crash between a PSA commercial airplane and a general aviation operator. As a result of the seriousness of that crash and a concern that the nation's air carrier airports were overcrowded, FAA established a program to create satellite reliever airports equipped with instrument landing systems (ILS). FAA encouraged proposals by various communities with those communities required to prepare their sites for receipt of the ILS. In Oregon, McMinnville and Corvallis were selected. However, in 1982, after McMinnville received a completed ILS and before Corvallis had received a glide slope to complete its ILS, a moratorium was placed by FAA on all ILS's because FAA was moving towards microwave landing systems (MLS). However, this has left Corvallis and other communities with incomplete ILS's. Is it the view of FAA that it owes any responsibility to those communities that were encouraged by FAA and promised ILS's to complete those systems? Is it the intention that FAA will provide an ILS to Corvallis? If not, why not? What would be the cost of providing a glide slope to Corvallis? When will the MLS be available generally and when can Corvallis expect to receive an MLS?

ANSWER: The thrust of the "satellite airport" development program was aimed at reducing the mix of air carrier and general aviation aircraft by making alternative airports more attractive for general aviation use. This program was discontinued for two reasons: (1) the critical airports had been satisfied and (2) the FAA's plan to provide MLS instead of ILS. Only those airports which had gone too far in the installation phase such as McMinnville were completed.

The partial ILS at Corvallis Municipal Airport cannot be viewed as incomplete. The system, called a localizer-only approach serving Runway 17, provides lower minima (minimum descent height - MDA 696 feet) as compared to the very high frequency, omni-directional range distance measuring equipment (VOR/DME) Runway 17 approach (MDA 716 feet).

FAA has responsibility to provide navigational aids to airports which are qualified to receive them. Our review indicates that Corvallis Municipal Airport does not qualify for an ILS glide slope or an MLS at this time in accordance with criteria contained in FAA's Order 7031.2B, Airway Planning Standards Number One - Terminal Air Navigation Facilities and Air Traffic Control Services. This is so because, after our review of the instrument operations at Corvallis it appears the installation cost of an MLS would exceed the benefits realized by 89 percent.

The cost of providing an ILS glide slope and middle marker is approximately $313,400.

QUESTIONS SUBMITTED BY SENATOR DECONCINI

HIGH-BUOYANCY, QUICK-DONNING LIFE VEST ON COMMERCIAL AIRCRAFT

SENATOR DeCONCINI: I would like to follow-up on action which has been taken by the FAA to develop regulations governing the standardization of high-buoyancy, quick-donning life vests on commercial aircraft with seating capacities of 30 or more passengers. Please provide me with a status report on the FAA's efforts to conduct their own tests on life vests to determine compliance or non-compliance with Technical Standard Order (TSO) C-13(d).

ANSWER: Tests are now in progress at Civil Aeromedical Institute (CAMI) on vest models which have been certified to meet TSO C-13(d) standards. We expect a report on the results of these tests within the next several months.

SENATOR DeCONCINI: Please provide me with a step-by-step explanation of the procedures the FAA plans to use in their tests. How will test participants be briefed, etc.?

ANSWER: In these tests, 100 subjects will be used to evaluate 4 different vests. Two of these vests are certified to the earlier TSO C-13(c) standards and the others to the new TSO C-13(d) standards. The subjects will be seated in the center seat of the standard air carrier, three-abreast seat unit, with an identical unit in front of them. An anthropometric dummy will be seated to the left of the subjects. Subjects will receive a standard video-taped briefing by a flight attendant covering seat belts, seat backs, tray tables, vest donning, and oxygen mask usage. Subjects will be handed the package vest since the TSO time limit refers to donning time after the vest is removed from the package and does not include vest access time. Subjects will remove the vest from the package (at which point, timing will commence) and begin the donning process. Subjects are filmed during these activities for later data analysis.

SENATOR DeCONCINI: How long will it take to conduct these tests?

ANSWER: Completion of these tests is imminent and initial data reduction has already begun.

SENATOR DeCONCINI: How long will it take to analyze the data and subsequently issue regulations?

ANSWER: We anticipate that data reduction will take at least another month. Each trial must be observed several times for the types of errors made and for times of intermediate points in the donning process. At this point, it is too early to say whether any regulatory or TSO changes will be required.

FLAGSTAFF/PULLIAM AIRPORT

SENATOR DeCONCINI: It is my understanding that the FAA is currently recommending a Localizer Directional Aid (LDA) to be installed at Pulliam to replace the ILS which was transferred to the Prescott Airport. Is this correct?

ANSWER: We have carefully studied the aeronautical needs of Pulliam Airport. This airport qualifies for both LDA as well as an MLS. MLS was found to fully meet all the service requirements of this airport by providing the lowest possible minimum that a precision approach system can provide at this location. Since the LDA only provides the service of a non-precision airport, we are planning for an MLS for this airport from our first contractural buy.

SENATOR DeCONCINI: If this is the plan, how long will it take to install the system? When will the system be operational? Please give target dates.

ANSWER: Based on our present contract, the MLS for Flagstaff will be delivered in January 1987 and be commissioned in April 1987.

SENATOR DeCONCINI: How much will it cost?

ANSWER: The cost will be approximately $651,000 which includes MLS and DME/P (Precision Distance Measuring Equipment) equipment, ancillary equipment, construction/installation, spares and test equipment, and other project expenses. An additional cost of $330,000 is required for the approach lighting system.

SENATOR DeCONCINI: After the LDA is installed, should it be determined that it is not adequate for the airport's needs can Pulliam be put on the FAA's allocation list to receive a Microwave Landing System (MLS)? If so, how long after the request is made would it take to install the system?

ANSWER: As stated before, our current plan is to install an MLS and not the LDA. The MLS is expected to be delivered in January 1987 and commissioned in April 1987.

SENATOR DECONCINI: I have been advised that the FAA is in the process of contracting services to enable the control tower at Pulliam to be operational. Please advise me when the contract will be awarded?

ANSWER: The FAA's Western-Pacific Region has been working closely with the Flagstaff airport and city officials on reopening the control tower at Pulliam Airport under the contract tower program. The contractual agreement, statement-of-work, and lease arrangements will be sent to the airport sponsor in April 1984.

SENATOR DECONCINI: What is the target date for the tower to become operational?

ANSWER: The target date for reopening the Flagstaff Control Tower is early July 1984.

BUCKEYE AIRPORT

SENATOR DECONCINI: It is my understanding that FAA approval and BLM approval had been given to Western States Cable Company to construct a microwave tower within three miles of the Buckeye airport. Further, I am advised that this tower is being constructed and that it penetrates the "clear zone" airspace by 60 feet. Would you explain for the record, please, why a no-hazard determination was made by the FAA?

ANSWER: The existing microwave tower is not within the runway "clear zone" as defined in Federal Aviation Regulations (FAR) Part 152 (Airport Aid Program). An aeronautical study conducted by the FAA's Western-Pacific Regional Office determined that the microwave tower would have no substantial adverse effect on the safe and efficient utilization of the navigable airspace by aircraft or on the operations of air navigation facilities. The aeronautical study was conducted as a result of receiving notice under the provision of FAR Part 77.

SENATOR DECONCINI: What was the date of the FAA's letter announcing the No-hazard determination? What was the final date set by the FAA to receive comments? On what date did construction of the tower begin?

ANSWER: The original December 22, 1983, No Hazard Determination was amended on January 20, 1984, to include the petition, expiration, and final dates which were inadvertently omitted in the original. The January 20 determination contained a petition date of February 19, 1984. Tower sponsor subsequently advised FAA that construction of the structure began on January 1, 1984.

SENATOR DECONCINI: Was the FAA aware of the future development plans for the Buckeye airport and the fact that the tower would be a serious impediment to this development?

ANSWER: The FAA was aware of and considered the future development plans on file. The FAA reviewed the Buckeye Airport Master Plan and determined that the microwave tower would have no substantial adverse effect on any present or planned flight procedures at or around the airport.

SENATOR DECONCINI: If the FAA had made a determination of hazard, would the FAA have the authority to stop construction of the tower?

ANSWER: The FAA does not have the legal authority to prohibit the construction of the tower. However, the FAA's determination issued in accordance with FAR Part 77, concerns the effect of the proposal on the safe and efficient use of the navigable airspace by aircraft and does not relieve the construction sponsor of any compliance responsibilities relating to any law, ordinance, or regulation of any Federal, state, or local government body.

SENATOR DECONCINCI: If not, why not?
ANSWER: The Federal Aviation Act(FA) of 1958 and the Airport and Airway Development Act of 1970 were enacted by the United States Congress and are the sole basis for any and all agency actions with respect to ground structures that may interfere with or be hazardous to air commerce. Section 1101 of the FA Act of 1958 states that the Secretary of Transportation shall, by rules and regulations, or by order where necessary, require all persons to give adequate public notice, in the form and manner prescribed by the Secretary of Transportation, of the construction or alteration, or of the proposed construction or alteration, of any structure where notice will promote safety in air commerce.
Legislative history of the FA Act indicates that the constitutional issue of "states rights" played a major role in the way authority was granted.

SENATOR DECONCINCI: I have been advised that the FAA's no-hazard determination has been appealed. Is the FAA's Washington headquarters reviewing the Western region's determination process?
ANSWER: It is true that the FAA's determination has been appealed. During the examination of the two petitions filed, we discovered the tower had already been constructed. Petition provisions under FAR Part 77 do not apply to existing structures. Consequently, the rules do not permit consideration of the petitions by Washington Headquarters. However, our Western-Pacific Regional Office initiated a review to restudy the structure as an existing one, and the results of their review should be completed in approximately 2 weeks.

SENATOR DECONCINCI: Are you aware of any other examples of violations of PT. 77 airspace in other areas of the country? Is the USA Today Building in Arlington, Virginia in violation of Pt. 77 airspace?
ANSWER: The phrase "violation of Part 77 airspace" is a misconception. The purpose of Part 77 obstruction standards is to identify structures that would be obstructions. That is only one of a series of steps we take before we would determine the effects of the structure on the navigable airspace.
There are numerous structures that are identified as obstructions, but that does not mean that they are hazards. The USA Today Building is identified as an obstruction and a study concluded that the structure was not a hazard.

Questions Submitted by Senator Inouye

SENATOR INOUYE: S. 2409 in principal part provides for the removal of the authority of the Attorney General in Section 516 of the Airport and Airway Improvement Act of 1982 and resolves an apparent jurisdictional ambiguity between the Department of Transportation and the General Services Administration with respect to surplus Federal property suitable for airport development. What, generally, is the position of the FAA regarding this measure?

ANSWER: We are currently developing a Departmental position on S. 2409. We would observe, however, that S. 2409 would appear to simplify the coordination process associated with property conveyances under the Airport and Airway Improvement Act (AAIA) and help clarify the property transfer provisions of the AAIA.

SENATOR INOUYE: In terms of the formulation and implementation of the Federal airport and airways development policy, do you believe it to be preferable that the Department of Transportation have primary authority over the disposition of unneeded Federal property to state and local jurisdictions for airport development purposes? If so, why?

ANSWER: While the issue of whether DOT should have primary authority is one that will be considered in the context of preparing a Departmental position on S. 2409, it is worth noting that the Department of Transportation has had a great deal of experience in conveying unneeded Federal property for airport purposes under the Airport and Airway Improvement Act and predecessor legislation.

SENATOR INOUYE: Is the Department equipped and prepared to assume such primary authority?

ANSWER: Yes. Unneeded Federal property whose highest and best use is for airport purposes comprises a very small portion of the Federal surplus property inventory. Because the Department of Transportation is already heavily involved in all such conveyances, the assumption of such primary authority would have a negligible effect upon our workload.

SENATOR INOUYE: Have there, in the past, been conflicts or confusion arising from the overlapping authority of the GSA and DOT with respect to the disposition of Federal property for local or state airport development?

ANSWER: Yes, there recently was a conflict between FAA and GSA regarding the disposition of Hickam Annex adjacent to Honolulu Airport in Hawaii. FAA had requested the Air Force to convey the Annex to Hawaii so that it could be used for the expansion of Honolulu Airport. This request was made pursuant to Sec. 23 of the Airport and Airway Development Act of 1970, the predecessor to Sec. 516.

Air Force did not convey the Annex, because the property had been declared excess to GSA. GSA declared

that the highest and best use of the property was industrial and began efforts to sell the property. Hawaii sued to enjoin the sale of the property, alleging, among other issues, that GSA had wrongfully rejected the possibility of transferring the property under Sec. 23. The court found that this was a cognizable claim and refused to dismiss this issue.

The Air Force recently wrote to the Attorney General, stating that transfer of the property under Sec. 516 would not be inconsistent with its needs and requesting that the Attorney General determine whether the property should be transferred under Sec. 516. No such determination has been made to date.

SENATOR INOUYE: What, if any, budgetary impact would the passage of the measure have?

ANSWER: We anticipate that passage of this measure would have an insignificant FAA budgetary impact.

QUESTIONS SUBMITTED BY SENATOR KASTEN

SENATOR KASTEN: It is my understanding that proposed FAA budget for Fiscal Year 1985 includes funding for a Remote Communications Outlet (RCO) in Rice Lake, Wisconsin. Is this correct?

ANSWER: Yes sir, it is.

SENATOR KASTEN: What is the FAA's current plan for the installation of an Instrument Landing System in Manitowoc, Wisconsin? Has the FAA reprioritized its list of airports to receive ILS's? Could you provide this priority list?

ANSWER: FAA's current plan is to provide the microwave landing system (MLS) instead of the instrument landing system (ILS) at Manitowoc County Airport, Wisconsin. A list of airports to receive ILS does not exist. Since 1982, we deferred all ILS projects except those ILS's which had gone too far in the installation phase and were economically unsound to stop.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now stand in recess until our next hearing at 10 a.m., Wednesday, April 4, for the Interstate Commerce Commission.

Mr. FENELLO. Thank you very much, Mr. Chairman.

[Whereupon, at 11:40 a.m., Tuesday, April 3, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, April 4.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, APRIL 4, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:03 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Kasten, Chiles, and Byrd.

INTERSTATE COMMERCE COMMISSION

STATEMENT OF REESE H. TAYLOR, JR., CHAIRMAN

ACCOMPANIED BY:

JANICE M. ROSENAK, LEGISLATIVE COUNSEL
J. WARREN McFARLAND, DIRECTOR, OFFICE OF COMPLIANCE AND CONSUMER ASSISTANCE
RONALD S. YOUNG, DIRECTOR, BUREAU OF ACCOUNTS
EDWARD J. SCHACK, SPECIAL COUNSEL
MARTIN E. FOLEY, ACTING MANAGING DIRECTOR
WILLIAM R. SOUTHARD, DIRECTOR, OFFICE OF TRANSPORTATION ANALYSIS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order. Today we are hearing the Interstate Commerce Commission. Here to present the testimony is Reese Taylor, the Chairman of the Interstate Commerce Commission, accompanied by many and sundry.

Mr. Chairman, let me assure you that your statement will appear in its entirety in the record. You may summarize it in any way you wish. Proceed.

INTRODUCTION OF ASSOCIATES

Mr. TAYLOR. Thank you, Mr. Chairman.

If I may, I would like to begin by introducing those at the table with me this morning. On my far left is Director Bill Southard of the Office of Transportation Analysis; and on his right is Martin Foley, the Commission's Managing Director; on my immediate left is Warren McFarland, Director of our Office of Compliance and Consumer

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Assistance; to my immediate right is Janice Rosenak, the Commission's Legislative Counsel; on her right is Ronald Young, Director of our Bureau of Accounts; and on the far right, Ed Schack, the Commission's Special Counsel.

Thank you for inviting me here today to discuss the Interstate Commerce Commission's fiscal year 1985 budget. I would like to make a few brief remarks to highlight some aspects of the estimates, and then I'll be happy to try answering any questions that you may have.

BUDGET REQUEST AND STAFFING

The fiscal year 1985 budget authority request is $53,966,000. This will support 987 full-time permanent staff-years and represents a decrease of just over $6 million and 163 full-time permanent staff-years from the fiscal year 1984 appropriation and staff-year ceiling.

The fiscal year 1985 budget request reflects a decrease in Commission employment of 52 percent since 1979, which was just before Congress enacted regulatory reform legislation affecting the rail, motor carrier, and household goods industries.

Let me turn now to an explanation of how the budget request would affect staffing levels for the program areas. Staff time devoted to motor carrier programs would drop by 19 percent between fiscal year 1984 and fiscal year 1985. Staff involvement in rail activities, which have never been as staff-intensive as motor activities, will fall by 9 percent. Administrative support staff for all Commission programs will decrease by 10 percent.

Staff devoted to policy and analysis program activities will decrease by 16 percent between fiscal year 1984 and fiscal year 1985. Rulemaking activity is expected to decline, particularly in motor-related work. Legislative support work will remain relatively stable, as consideration is given to new legislative proposals, and congressional oversight hearings continue to evaluate the effect of the reform legislation enacted in 1980 and 1982.

Analytical activities will decline in both the rail and motor areas as reporting requirements decrease or are eliminated. For proceedings program activities, staff involvement will fall by more than 13 percent. The greatest impact will be on motor carrier licensing, where staff time is expected to fall from 148 staff-years to 117 staff-years, a reduction of 20 percent. This decline is projected because of the extensive authority granted to motor carriers following the reform legislation and simplification of case handling procedures.

Rate activity is expected to decrease. Rate proposals are now only rarely protested. Of the 1,224,254 tariffs filed with the Commission in fiscal year 1983, only 181—.014 percent—were protested.

In the finance area, caseloads should fall in all areas except rail abandonments and mergers. The Compliance and Consumer Assistance Program staff is decreasing by 17 percent between fiscal year 1984 and 1985. The program will focus on encouraging voluntary compliance with remaining regulations and monitoring carrier insurance. With

fewer regulatory restrictions, cuts will be made in a number of activities. Staff will no longer conduct routine audits of regulated motor carriers. In addition, fewer compliance surveys and road checks will be conducted.

Consistent with the decrease in complaints and inquiries, staff resources devoted to handling these matters will be reduced. The Office of Special Counsel is being phased out during fiscal year 1984. The few remaining functions and the eight employees in the office are being absorbed by other Commission offices with similar or duplicative roles.

Staff-years devoted to the Commission's enforcement program will decrease 12 percent between fiscal years 1984 and 1985. Commission enforcement activity will focus on maintaining fair and equitable competition in the transportation industries, ensuring protection of the public interest and adherence to congressional intent.

The Commission has directed that enforcement efforts emphasize resolving problems informally and obtaining compliance through cooperative efforts, so as to avoid, whenever possible, formal enforcement actions.

INSTRUCTIONS TO ENFORCEMENT STAFF

Last year, we advised this committee that the Commission's enforcement staff had been instructed to concentrate on matters involving four major categories: safety and insurance violations, specific congressional directives, anticompetitive activities, and public interest concerns.

In fiscal year 1985, sufficient resources are allocated to enforcement activities to enable staff to carry out the Commission's instructions. In addition, now that we have had some actual experience with the implementation of our directives, we believe it is time to reassess the results, particularly in light of the recent General Accounting Office examination requested by the House Appropriations Subcommittee on Transportation and Related Agencies.

Accordingly, I have instructed our Office of Compliance and Consumer Assistance Staff to prepare for another conference so that the entire Commission may again address questions pertaining to the implementation and effectiveness of the Commission's enforcement program. We may then provide appropriate policy guidance and management directives to our enforcement staff. We plan to hold this conference in the near future, and we will make sure this committee is advised of the outcome.

Mr. Chairman, you should know that my recommended budget for the ICC for fiscal year 1985 calls for 1,061 staff-years and a dollar amount of $55,481,000. I will be glad to explain my recommendation if you so desire.

Also, Commissioner Gradison has asked me to submit a statement for the record which I am happy to offer at this time.

[The statement follows:]

STATEMENT OF HEATHER J. GRADISON, COMMISSIONER, INTERSTATE COMMERCE COMMISSION

Thank you for the opportunity to testify before the subcommittee. The purpose of this statement is to support the Commission's testimony and the fiscal year 1985 budget approved by the Commission. That budget was analyzed and debated and finally approved by the Commission in August 1983. I believe our budget is well justified and supported. I also believe that the time for negotiation of budget items on our part is past and the final resolution of these matters is in the hands of Congress.

I would also like to make the following generalized statement in support of specific areas of the Commission's 1985 budget.

Our fiscal year 1985 budget reflects a continuing decline in the workload of the Commission due to legislation substantially deregulating the transportation industry and our administrative efforts to streamline the agency. This is consistent with the underlying policy of the new acts to place greater reliance on the market in promoting a competitive and efficient transportation system.

As the functions of this agency are trimmed by Congress, the Commission should continue to reduce unnecessary regulations which were a product of a period of more pervasive regulation. Consistent with the law, the Commission should function to assist and protect transportation users and providers from abuses but without undue or needless and wasteful intrusion into their businesses.

In fiscal year 1985 we have phased out the Office of Special Counsel. As our testimony states, the functions and staff will be absorbed by other offices with a similar or duplicative role. We can no longer afford the luxury of an independent Special Counsel. We need to more closely coordinate and rationalize our public assistance function.

Our budget calls for modest decreases for the Office of Transportation Analysis. This office provides economic analysis for the Commission. While further cuts in OTA were suggested by the chairman, I find that even in a more deregulated environment our economic regulation often gets more complex and necessitates more economic analysis. I believe that our budget allocation for OTA is justified given the greater use of our economic resources for proper analysis in our decision making.

Our budget calls for cuts in our compliance and audit functions. First of all, I believe that our active involvement in these functions should decline as we rely more on competition to ensure that shippers will get adequate service and are protected from abuse. Auditing motor carriers, for example, is more consistent with a utility form of regulation where regulators are concerned about passthrough of costs. This is not as necessary today with prices based more on demand and competition. In addition, the Commission is considering moving forward with proposals to decrease or eliminate financial filing requirements for certain motor carriers. Finally, I believe that much more could be accomplished if the relevant bureaus developed a more flexible approach to their tasks.

Finally, I believe our enforcement assets are adequate to carry out the Commission's policy instructions. While there were problems with deciding on goals and programs and following through with these in recent years, I believe that as the Commission's active regulatory role decreases so should the degree of our active intrusion into shipper and carrier affairs. Serious violators should be dealt with.

I am confident that in fiscal year 1985 the Commission can establish and follow through with an effective enforcement program sensitive to the concerns expressed by Congress but consistent with our decreased regulatory role. In 1985, we propose modest decreases in the enforcement staff. I believe the solution to effective enforcement is for the Commission to establish policies and priorities and for better management of our resources. Ineffective management should not be rewarded by increasing or even maintaining the existing complement.

Our fiscal year 1985 budget is well supported and the staff levels are sufficient to carry out all of our responsibilities.

The Commission can further streamline its activities and staff levels in fiscal year 1985 and beyond through further administrative deregulation, rulemakings, and increased management efficiency.

Mr. TAYLOR. Now I would be glad to answer any questions that you may have, or I can proceed on with the directed service statement if you would like it for the record.

Senator ANDREWS. Well, we can put that in the record, Mr. Chairman, and we have it; we will put it in the record at this point before the questioning begins.

[The statement follows:]

STATEMENT OF REESE H. TAYLOR, JR.

Thank you for inviting me here today to discuss the Interstate Commerce Commission's FY 1985 budget. I would like to make a few brief remarks to highlight some aspects of the estimates, and then I will be happy to answer your questions.

The FY 1985 budget authority request is $53,966,000. This will support 987 full-time permanent staff-years and represents a decrease of just over $6,000,000 and 163 full-time permanent staff-years from the FY 1984 appropriation and staff-year ceiling. The FY 1985 budget request reflects a decrease in Commission employment of 52 percent since 1979, which was just before Congress enacted regulatory reform legislation affecting the rail, motor carrier and household goods industries.

Let me turn now to an explanation of how the budget request would affect staffing levels for the program areas.

Staff time devoted to motor carrier programs would drop by 19 percent between FY 1984 and FY 1985. Staff involvement in rail activities, which have never been as staff intensive as motor activities, will fall by 9 percent. Administrative support staff for all Commission programs will decrease by 10 percent.

Staff devoted to Policy and Analysis Program activities will decrease by 16 percent between FY 1984 and FY 1985. Rulemaking activity is expected to decline, particularly in motor related work. Legislative support work will remain relatively stable, as consideration is given to new legislative proposals and Congressional oversight hearings continue to evaluate the effect of the reform legislation enacted in 1980 and 1982. Analytical activities will

decline in both the rail and motor areas as reporting requirements decrease or are eliminated.

For Proceedings Program activities, staff involvement will fall by more than 13 percent. The greatest impact will be on motor carrier licensing, where staff time is expected to fall from 148 staff-years to 117 staff-years, a reduction of 20 percent. This decline is projected because of the extensive authority granted to motor carriers following the reform legislation and simplification of case handling procedures.

Rate activity is expected to decrease. Rate proposals are now only rarely protested. Of the 1,224,254 tariffs filed with the Commission in FY 1983, only 181 (.014 percent) were protested. In the finance area, caseload should fall in all areas except rail abandonments and mergers.

The Compliance and Consumer Assistance Program staff is decreasing by 17 percent between FY 1984 and 1985. The program will focus on encouraging voluntary compliance with remaining regulations and monitoring carrier insurance. With fewer regulatory restrictions, cuts will be made in a number of activities. Staff will no longer conduct routine audits of regulated motor carriers. In addition, fewer compliance surveys and road checks will be conducted. Consistent with a decrease in complaints and inquiries, staff resources devoted to handling these matters will be reduced. The Office of Special Counsel is being phased out during FY 1984. The few remaining functions and the 8 employees in the office are being absorbed by other Commission offices with similar or duplicative roles.

Staff-years devoted to the Commission's Enforcement

Program will decrease 12 percent between Fiscal Years 1984 and 1985. Commission enforcement activity will focus on maintaining fair and equitable competition in the transportation industries, ensuring protection of the public interest, and adherence to Congressional intent. The Commission has directed that enforcement efforts emphasize resolving problems informally and obtaining compliance through cooperative efforts, so as to avoid, whenever possible, formal enforcement actions.

Last year, we advised this Committee that the Commission's enforcement staff had been instructed to concentrate on matters involving four major categories: Safety and Insurance violations, Specific Congressional directives, Anti-Competitive activities, and Public Interest concerns. In FY 1985, sufficient resources are allocated to enforcement activities to enable staff to carry out the Commission's instructions.

In addition, now that we have had some actual experience with the implementation of our directives, we believe it is time to reassess the results, particularly in light of the recent General Accounting Office examination requested by the House Appropriations Subcommittee on Transportation and Related Agencies. Accordingly, I have instructed our Office of Compliance and Consumer Assistance staff to prepare for another conference, so that the entire Commission may again address questions pertaining to the implementation and effectiveness of the Commission's Enforcement Program. We may then provide appropriate policy guidance or management directives to our enforcement staff. We plan to hold this conference in the near future, and we will make sure this Committee is advised of the outcome.

FY 1985 DISTRIBUTION OF FULL-TIME PERMANENT AND OTHER STAFF-YEARS

	Commissioners' Vote		Difference		Chairman's Vote		Commissioners' Budget		Difference		Chairman's Budget	
	FT	OT	FT	OT	FT	OT	FT	OT	FT	OT	FT	OT
Commissioners & their Offices	85	2.0	0	0	85	2.0	85	2.0	-1	0	84	2.0
Secretary	74	8.5	0	0	74	8.5	74	8.5	0	0	74	8.5
General Counsel	31	1.6	0	0	31	1.6	31	1.6	0	0	31	1.6
Proceedings	173	0	0	0	173	0	170	0	0	0	170	0
Hearings	12	0	0	0	12	0	12	0	0	0	12	0
Special Counsel	0	0	+8	0	8	0	0	0	+7	0	7	0
Transportation Analysis	41	0	-3	0	38	0	41	0	-3	0	38	0
Accounts	106	.5	+15	0	121	.5	106	.5	+17	0	123	.5
Traffic	90	0	0	0	90	0	90	0	0	0	90	0
Compliance and Consumer Assistance	280	19.0	+16	0	296	19.0	280	15.0	+16	+4	296	19.0
Managing Director	100	8.0	0	0	100	8.0	98	7.0	0	-1	98	6.0
Sub-totals	992	39.6	+36	0	1,028	39.6	987	34.6	+36	+3	1,023	37.6
Total Staff-years (Rounded)	1,032		+36		1,068		1,022		+39		1,061	
Budget Authority	$53,553,000		+$1,135,000		$54,688,000		$53,966,000*		+$1,515,000		$55,481,000*	

(FT = Full-time permanent; OT = Other than full-time permanent.)

* These budget authority figures reflect the effects of the FY 1984 pay raise.

DIRECTED SERVICE STATEMENT

In FY 1983, payments continued to be made to the Kansas City Terminal Railway Co. for directed service performed over the lines of the Chicago, Rock Island, and Pacific Railway Co. between October 15, 1979, and March 23, 1980. These payments were to take care of carrier liabilities incurred as a result of that service, as well as operating costs for continuation of accounting functions with respect to negotiation and liquidation of outstanding liabilities and collection of outstanding receivables.

The Commission currently has approximately $2.3 million in directed service funds remaining from the FY 1982 supplemental appropriation of $8 million. Accounting operations relative to the Kansas City Terminal Railway Company's directed service were concluded on December 31, 1983. At this time, the Commission has pending before it a request for additional compensation for conducting these accounting operations from the Kansas City Terminal Railway Co. We do not anticipate any new directed service during FY 1984 or FY 1985, and as a result, we have not requested an appropriation of additional funds for this purpose.

I would be happy now to answer any questions you may have with regard to this matter.

COST OF COMMISSIONERS' STAFFS

Senator ANDREWS. The Grace Commission reported, page 20 of its report, that the staff levels of the ICC appear to be in excess of those generally prevailing in regulatory agencies. They found that each Commissioner and the Commissioner's associated staff costs about $500,000 a year, not including the cost of satellite offices.

Your budget request is approximately $5 million for Commissioners and their offices. With only four Commissioners on board, this is about $1¼ million per Commissioner. Now, the Federal Maritime budget is less than $200,000 per Commissioner. The Civil Aeronautics Board, which we have occasionally thought does a little bit of goldplating, is about $100,000 per member. How come we have overlooked you? How did you manage to get so high? Is this an indictment of the subcommittee not watching closer, or are you running rampant down there? Why is this ICC so high?

Mr. TAYLOR. Well, I cannot tell you why, Mr. Chairman, other than the fact that, traditionally, historically, the Commissioners' staffs have been about where they are at the present time. I am going to reduce my staff by one. The other Commissioners——

Senator ANDREWS. Well, I am not talking about the staff of the Commission. I am talking about the personal staff of the Commissioners.

Mr. TAYLOR. That is what I am talking about. The personal staffs of each of the Commissioners. I have nine in my office, and I am giving one up. The other Commissioners have seven in their offices. Last year, I had proposed and tried with my colleagues to get them to go along with giving up some staff in their offices. They maintain that the whole staff of the Commission is available to the Chairman, and that they have to rely on their individual staffs to get their work done.

I appreciate the recommendations in the Grace Commission Report. I think something could have been done in that area, but they have indicated very strongly that they feel they need the staffing at the level that it is presently, and so I have decided not to make an issue out of it, at least insofar as they are concerned this year. I have given one up on my own.

Senator ANDREWS. Well, we were intrigued when we looked at this high cost for Commission staff, and then we saw the article in yesterday's Post on the ICC that points out you have Commissioners that seem to be spending most of their time contacting the Justice Department to find out what the Commissioners are supposed to be doing. You know, at $1¼ million per Commissioner, you would think they would have better things to do than fuss with the Justice Department over what they are supposed to be doing.

Is this some kind of on-the-job training or is this the best effort that they can put forth? What do you do down in that place anyway, Mr. Chairman?

Mr. TAYLOR. Well, I keep myself very busy. I do not have time, as a matter of fact, Mr. Chairman, to keep tabs on all the other Commissioners and what they do and what they are involved in. I think the request for an opinion from the Justice Department really was a tempest in a teapot. It was a manufactured controversy that need not have been. There was some question about the availability of staff to meet with the other Commissioners' offices, which they have never been refused. They have always had that opportunity. And the Justice Department report when it came back simply confirmed an awful lot of additional background information we had had for some time on the prerogatives of the Chairman of the Commission.

I can only tell you that insofar as I am concerned, I am very busy down there. I seldom get out of the place until 7 or 8 o'clock at night. What the other Commissioners do in terms of how much time they work and how much time they put in, I really cannot speak for them, because I just plain do not know. I used to get absence notices from all of them as to when they were not going to be there, and so we had some kind of indication as to how much they were on hand. But I do not even get those anymore.

So if you want information on their hours and how much they work and what they do and so on, I think maybe we can try and develop that for you from them, but I certainly cannot provide it.

Senator ANDREWS. The clerk tells me there are none of the other Commissioners here.

Mr. TAYLOR. There are not.

Senator ANDREWS. None of the $1¼ million per head types showed up at the budget hearing.

FUNDING A COMMISSIONER'S OFFICE

Mr. TAYLOR. What it really costs, we have estimated now, to fund a Commissioner's office is something in excess of $500,000. I think it is about $539,000. It was $512,000 for fiscal year 1984, and for fiscal year 1985 the figure we have is $539,908. That is $382,691 in salary costs, $43,474 in benefit costs, for a total of $425,165 in personnel costs. And then other administrative support costs, $113,743, for the total of $539,908.

Senator ANDREWS. Well, we took the budget authority request of $4,976,000 and divided it by four and came up with $1¼ million. Now, is your budget request for next year based on thinking you are going to add three more Commissioners?

Mr. TAYLOR. Well, unfortunately, I have to budget for them, because whether we get them or not depends upon the White House and the Senate. We have two nominations that are now pending on the Hill, and the seventh one, I understand, is still being discussed. Whether that will be resolved and a name will be sent up in time for the whole process of confirmation to transpire before you get out of here the end of June, I really do not know. But if it should, presumably, we have to budget for them, and we are now scheduled by law to have a total of seven Commissioners. That goes down to five as of January 1, 1986.

But I cannot very well not budget for them on the assumption that somehow or another they are not going to come, though I must concede we have been waiting a long time.

Senator ANDREWS. I think we can probably help you on that, Mr. Chairman. I have talked with the chairman of the Legislative Committee, and he indicated his agreement that we can just cap it at five Commissioners, and that will take care of worrying about who is going to come down; it will also take care of some of these excessive expenses. So we may well do that.

There seems to be an incredible inconsistency where, you know, deregulators do not want to do any regulating; yet, it costs over $1 million a year for them to do nothing. Can you tell the committee why this is so? In fact, every other office in your budget proposal requests less budget authority in fiscal year 1985 than fiscal year 1984 except the Commissioners' offices. Why? Just because you are going to think of adding, or because your costs are going up, or what?

Mr. TAYLOR. All I can do in response to that, Mr. Chairman, is to tell you that I have voluntarily given up one position in my office, because

I think it is important, if all of the other offices in the Commission are taking cuts, to set an example through the Commissioners' offices, and have some reduction at least at that level. I tried very hard in discussing the whole matter with them, to get them to agree as well on some kind of a cut in their individual office staffs. They were very, very adamant on this point. They feel very, very strongly that they should not experience any cuts, despite what has been done to the other bureaus and offices.

So, as a consequence, I tried to make an issue out of it last year, and I did not get anyplace. I just decided this year, since they feel they have got to have them and I could not get anyplace with them last year, I have kind of given up on it, frankly.

Senator ANDREWS. Well, let us try to define this, so we know we are not making blind cuts. Is the additional cost requested to cover additional Commissioner meetings?

Mr. TAYLOR. No; because, really, we do not have regular Commission meetings as such. That has not been a practice at the ICC for a good long time, and particularly with four people and the Sunshine law, you either have a public meeting or you are on a one-on-one basis with the other Commissioners. We meet informally quite frequently, but we do not really have scheduled meetings as such. We will on this enforcement conference. We have a number of oral arguments scheduled in June, and another one in July. We vote by notation, primarily, and that is where the staff levels come in, because the staffs get involved with the staffs of the other offices, and they have case assignments and that is really how the voting is conducted at the Commission.

COMMISSION MEETINGS

Senator ANDREWS. When was the last time the Commission convened as a group in one place to conduct Commission business? Now, those of us on the outside sort of figure you sit down and talk things over, and all that.

When is the last time you sat down together in one place and conducted Commission business?

Mr. TAYLOR. It has been a long time.

I should explain, in all fairness, how the Commission conducts its business, because with five or less Commissioners, really you are precluded by the Sunshine law—I have been on the Adjudication Committee over there at the Administrative Conference, and they have some suggested revisions of the Sunshine law which I have tried to address, because I think it has had a very severe impact on collegiality, if collegiality is worth preserving. I suppose there is a question about that, in and of itself.

But it is very difficult with that law, and with the few number of Commissioners that we have, to do anything more than have a one-on-one session. And we have not been in the practice for many years—even before I came—of going downstairs in one of the public hearing rooms and voting, in effect, in public or having discussions of

issues, in effect, in public. That has been done by notation voting for some time.

What we do do together as a group, formally, is to conduct oral arguments. We will have this enforcement conference, for example, and we endeavored to do that because it was in the enforcement area that we met privately last year—or I should say in 1982. That did not work very well, so when we have this next one, we are going to do it in public. But that is not to say that there are not informal meetings between the Commissioners from time to time, and that goes on with some frequency.

PURPOSE OF SUNSHINE LAW

Senator ANDREWS. As a cosponsor of the Sunshine law which has been in effect for a long time now, let me tell you that the purpose of the Sunshine law was not to preclude meetings. It was to make sure that when you had meetings, that the public had the right to know.

And what you are telling me is that because of the Sunshine Act, you do not meet?

Mr. TAYLOR. No; what I am trying to tell you—because I do not have any quarrel with the Sunshine Act and what it was intended to accomplish whatsoever—what I am saying is that if you are going to have meaningful input from the individual Commissioners on what Commission policy ought to be in any given area, it is very, very difficult to do that in public. If we have an open meeting down in one of our big hearing rooms, the entire ICC constituency shows up, and they are there to, in effect, engage in an awful lot of curiosity about what is going on within the individual Commissioners' minds.

I do not have any problem with meeting in public or discussing things with others in public. But you really have a difficult time getting a sincere, genuine discussion of how individual Commissioners feel if you are doing it in an open arena with all of your constituency out there watching.

Senator ANDREWS. Let me phrase my question a little differently, then. When was the last time the Commission convened to set policy, or let's say to issue guidelines for the Enforcement Division which GAO says is without program goals and priorities?

Mr. TAYLOR. That was in October 1982, Mr. Chairman.

Senator ANDREWS. Now we are getting that back in October 1982, these million-dollar-a-year-apiece Commissioners did, in fact, sit down and have a meeting.

Can you tell this committee the number of days on duty by each one of these million-dollar Commissioners for the past calendar year, or for some other applicable time period?

Mr. TAYLOR. No; I really cannot. As I said before, I used to get, on a regular basis, absence notices from the other Commissioners' offices, so at least we had some record if they were going to be out for a whole day, for example, or several days, I had some record of that.

NUMBER OF DAYS COMMISSIONERS WORKED

Senator ANDREWS. Does anybody on the general staff of the Commission, who is here today, have any idea of how many days of work these million-dollar Commissioners put in?

Mr. TAYLOR. Well, I will ask our Managing Director, Mr. Foley, if he has any information to that effect. I think the only thing we could do if he doesn't, is to simply canvass their offices, and hopefully provide for the record for you, based upon information they can come up with, what attendance has been.

Senator ANDREWS. Well, this is pretty serious business. You are coming up in a day when, as a member of the budget committee, we are trying to cut the deficit. You are coming up and asking for funding for a group of Commissioners who are getting paid well over a half million dollars apiece. You have got to—you know, that is just their own private little "hidey" group that sits and does—nobody can see what you are doing. You have not had a meeting since 1982. You are paid five times the amount of the commissioners on other commissions for individuals and private staffs. You know, that is pretty darn tough to justify, and if people are not even there, why do they need such a large personal staff?

Do you have any idea how often they show up? Do you ever see them around?

Mr. TAYLOR. Let me ask Mr. Foley if he would like to add anything to this.

Senator ANDREWS. Do they get to be Commissioners and then go to Puerto Rico, or are they taking their time in Spain, or where are they?

Mr. FOLEY. Mr. Chairman, the Commissioners, of course, do not report to the staff. I have no idea of the attendance record of any Commissioner or their personal staffs. As the Chairman has indicated, if the committee wishes to have some record developed on this matter, we will do our very best to try to get some information for you.

Senator ANDREWS. Let me assure you, you are developing the record right now. And that record is pretty clear. You do not know whether the Commissioners show up in the office they are paid five times as much as comparable commissioners.

The Washington Post yesterday said they spend their time asking for opinions of the Justice Department on how they are supposed to act. And I suppose they have been holding any action in abeyance because they do not know how to act.

[The information follows:]

ATTENDANCE RECORDS OF COMMISSIONERS

The individual Commissioners were asked to provide the information requested. The following are their responses:

CHAIRMAN REESE H. TAYLOR, JR.

Total work days from June 25, 1981 to April 13, 1984	708
Total number of work days present at ICC office	626.5
Total work days absent from ICC office	*81.5
Number of days spent traveling on official ICC business	61.5
Number of days on personal leave	20
Total	81.5

*Documentation available to support figures shown.

VICE CHAIRMAN FREDERICK N. ANDRE

Since my confirmation date of March 19, 1982, I have been absent from the office on personal leave a total of 50 days. I have also been absent 14 days on official business.

COMMISSIONER MALCOLM M. B. STERRETT

Since I was sworn in on February 10, 1982, I have been on personal leave for 48 days (including 3 days for jury duty) and on official Commission business for 16 days.

COMMISSIONER HEATHER J. GRADISON

Since March 1983, the Commission has had procedures for absentee voting. Because of the numbers of cases involving short-notice, emergency situations or statutory deadlines, the Chairman instituted these procedures to ensure efficient and timely decisions in the event a quorum or majority of the Commission is not available for a vote.

Thus, I consider myself to be on duty virtually at all times, whether I am in Washington or away from it. On my speaking engagements and my personal trips, I always retain daily contact with my office and am available to vote at all times. Before the absentee procedures were established, in preparing for trips away from the city, I adjusted my schedule so I could vote in advance on cases. In the 21 months between July 12, 1982, when I began voting, and March 13, 1984, when I went on maternity leave, I cast 2,502 votes out of 2,520 opportunities for a voting record of 99.3 percent.

RENOVATION OF COMMISSIONERS' OFFICES

Senator ANDREWS. You know, it is incredible. How much money has been spent over the last 2 years to renovate the Commissioners' offices for things like new paint, new furniture, and new carpet? I am curious to know if we are paying salaries for people not there and further compounding the lunacy by fixing up offices for people who drop in once a month or so to see how they look.

How much have you got—somebody in this group must have some facts or figures on whether or not there has been any remodeling, recarpeting, new furniture, whatnot, done.

Mr. TAYLOR. The Managing Director would have that information, Mr. Chairman. I do not know whether he has got any numbers for you or not.

Senator ANDREWS. Well, what does the Managing Director know about that?

Mr. FOLEY. Mr. Chairman, yes, there have been renovations as Commissioners come on board, and I do not have the figures here this morning but would be very happy to present that for the record.

Senator ANDREWS. Can you make a guess at how much we have spent in the last 2 years on renovating of offices for the Commission?

Mr. FOLEY. I would not be able to. I have only been the Acting Managing Director for the last several months, so I do not have that information.

Senator ANDREWS. Not even a far-out guess?

Mr. FOLEY. I really cannot answer.

Senator ANDREWS. But you can provide the figures for the record?

Mr. FOLEY. Yes, sir.

Mr. TAYLOR. Well, I think we ought to be specific as to exactly what it is we are talking about. Are we talking about paint and carpets and draperies and decorations?

Senator ANDREWS. We are talking about painting or carpeting; we are talking about furnishings.

Mr. TAYLOR. Equipment?

Senator ANDREWS. Equipment. Whatever goes into the individual offices of these nonappearing Commissioners.

Mr. FOLEY. We can supply that for the record very precisely.

Senator ANDREWS. And have it as a group, and have it broken down by Commissioner?

Mr. FOLEY. Yes, sir.

[The information follows:]

SPECIFIC PURCHASES AND EXPENDITURES

Our records reflect the specific purchases or expenditures as set forth below for the Chairman and each Commissioner.

Drapery and carpeting is not replaced on a fixed schedule, but on the basis of wear. However, offices are not redecorated just because a new Commissioner comes on board. Prior to the elimination of the ICC warehouse in the fall of 1983, recarpeting was accomplished by the use of stock on hand whenever possible. Painting is done on a fixed schedule established by the General Services Administration (every 5 years) at no additional cost to the Commission.

The expenses shown for additional telephone equipment represent the costs of equipment and services which exceed the levels normally provided by the Commission to Commissioners and their staffs.

The expenses related to each Commissioners's office follow:

CHAIRMAN TAYLOR (6/25/81 TO 4/1/84)

Equipment and furniture:	
Purchase paper shredder[1]	$712
Refinish two desks	200
Renovations:	
Purchase and install carpet[2]	4,285
Install and paint interior door	816

VICE CHAIRMAN ANDRE (3/19/82 TO 4/1/84)

Equipment and furniture: Word processing components	3,062
Renovations: Purchase and install draperies	2,535

COMMISSIONER STERRETT (2/12/82 TO 4/1/84)

Equipment and furniture:	
Lease additional phone equipment:	
Installation	$340
Annual rental	865
Refinish three desks on expedited schedule [3]	1,200
Reupholster two arm chairs	560
Renovations: Mount bookcase on wall [4]	375

COMMISSIONER GRADISON (6/18/82 TO 4/1/84)

Equipment and furniture:	
One word processor [5]	5,661
One memory typewriter	2,564
Lease additional telephone equipment:	
Installation	120
Annual rental	468
Renovations:	
Purchase and install draperies [6]	5,514
Purchase and install carpet	7,056

SUMMARY OF EXPENDITURES FOR COMMISSIONERS' SUITES

Equipment and furniture	15,752
Renovations	20,581

[1] The shredder is used by the Chairman's office and other staff offices to destroy confidential documents (such as those containing material protected by the Privacy Act).

[2] During the process of closing the Interstate Commerce Commission warehouse in the fall of 1983, we used nearly all of the carpet inventory then stored in the warehouse to replace very badly worn carpeting in several staff offices, including the Office of the Managing Director. The staff estimated that enough of the carpet from storage was left over to be used to replace the several year old, badly worn and stained carpeting in Chairman Taylor's office, even though the Chairman did not request replacement. However, the staff estimates proved to be incorrect and, as a result, $4,285 had to be expended in November 1983 to purchase and install matching carpeting needed to complete the project in the Chairman's suite.

[3] Desks were refinished at a premium cost because normal schedule for refinishing is 6 months and suitable temporary desks were not available.

[4] Bookcase supplied by Commissioner Sterrett to replace a bookcase that was removed while the office was vacant before his assuming office.

[5] Purchased in 1978. Surplus equipment within ICC at time of installation (June 1983).

[6] Replacement of unserviceable office furnishings installed in 1974.

GAO REPORT

Senator ANDREWS. The committee understands that the Commission did not have the usual time to review and respond to the GAO testimony presented at the House hearings on February 22. At that time, as we understand, the GAO reported that programs goals and priorities have not been established; the program is reactive rather than proactive; resources have been concentrated in only five violation areas; the program does not adequately use or maintain data to measure its effectiveness; and the basis for enforcement staffing levels appear questionable.

These are pretty serious findings, Mr. Chairman. Do you now have an official response to them?

Mr. TAYLOR. Well, we are in the process of preparing one, and that is really, in effect, what Mr. McFarland is getting ready for when we have this enforcement conference probably sometime in early or mid-June.

I really rather welcomed the GAO report in terms of their analysis of what we have been doing. I think it is always helpful to have somebody from the outside take a look-see at where you have been. We did have

this conference in October 1982, and we did give some rather specific directions to our enforcement people. In fact, that is the first time that the Commission as a whole has met, not only with our Washington enforcement people, but with all of the regional directors as well. And I think the meeting was productive. I think there has been some confusion since the conference because some of the other Commissioners' offices have indicated that we should be more reactive than proactive.

But I think they got a pretty good direction from the Commissioners as a group as to at least the areas that we felt were important.

What we have now tried to do is to take fiscal year 1983 and develop some pie charts which we can introduce for the record, if you would like, which really, in effect, show the allocation of our resources in terms of those objectives that were established at the October 1982 conference. And what we are now trying to determine in preparation for the June meeting is whether or not that resource allocation—it is kind of the FBI approach—how much of your resources do you devote to particular areas—whether or not that has been effective in producing the kind of results that the Commission wanted with the policy guidance that was provided in October 1982.

Of course, one of the difficulties is—and I think this is one of the problems, frankly, with the GAO report—you cannot analyze the thing just on the basis of cases closed, because we have instructed our enforcement people to obtain voluntary compliance whenever they can. So, you cannot necessarily use as a measuring stick of how effective your program has been the actual number of cases that have been closed.

But all of that is being put together now. We have not received, as a matter of fact, the official GAO report. All they did was testify on the House side. That is forthcoming, and we will be responding to it, and perhaps even ask them to participate in this conference that we are going to have in June.

That is probably, unless Mr. McFarland has comments he would like to add, about as much of a response as I can give you at this time to the GAO report.

[The charts and examples of violative activities follow:]

CHARTS

No.

1 - FY 1983 Staffing Levels by Four Major Programs and Administration

2 - FY 1983 OCCA Staffing Levels by Four Major Programs

3 - FY 1983 Enforcement Cases Closed by Percentages in Four Major Programs

4 - FY 1983 Known and Estimated Staff Resources Devoted to Enforcement Cases by Percentages in the Four Major Programs

5 - FY 1982 Staffing Levels by Four Major Programs and Administration

6 - FY 1982 OCCA Staffing Levels by Four Major Programs

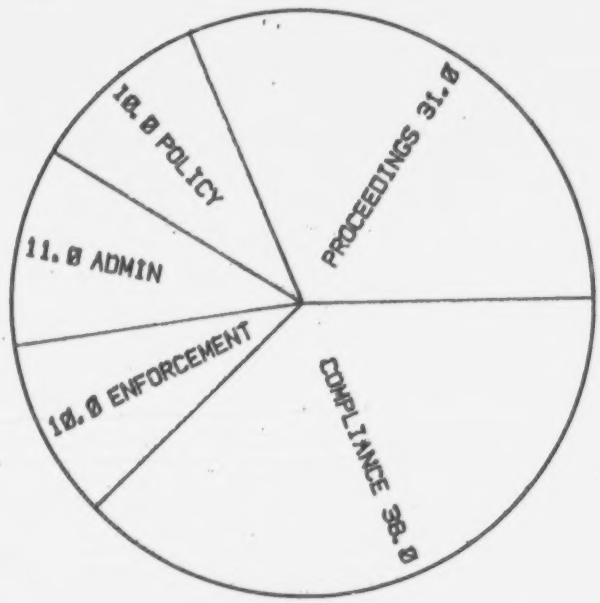
7 - FY 1982 Enforcement Cases Closed by Percentages in Three Major Programs

8 - FY 1982 Known and Estimated Staff Resources Devoted to Enforcement Cases by Percentages in the Three Major Programs

INTERSTATE COMMERCE COMMISSION

CHART 1

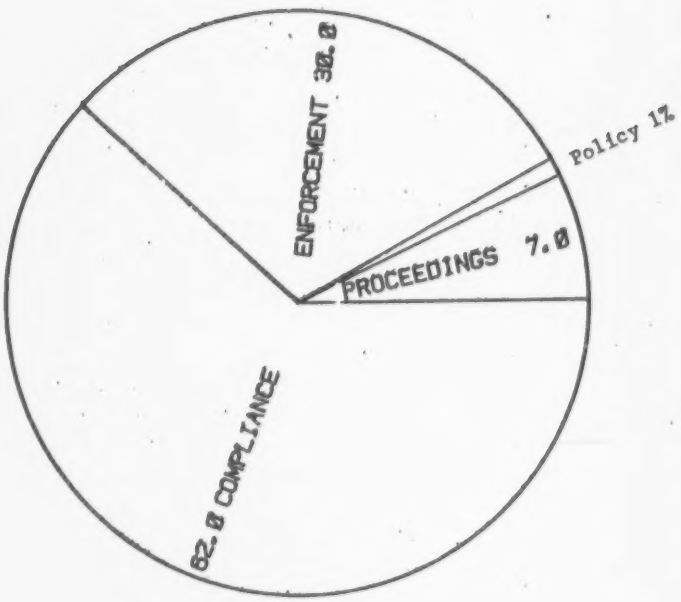
PERCENTAGE OF STAFF YEARS BY PROGRAM ACTIVITIES
FY 1983 - - - - 1305 STAFF YEARS



PROCEEDINGS - PROCEEDINGS
POLICY - POLICY AND ANALYSIS
ADMIN. - ADMINISTRATION
ENFORCEMENT - ENFORCEMENT
COMPLIANCE - COMPLIANCE AND CONSUMER ASSISTANCE

CHART 2

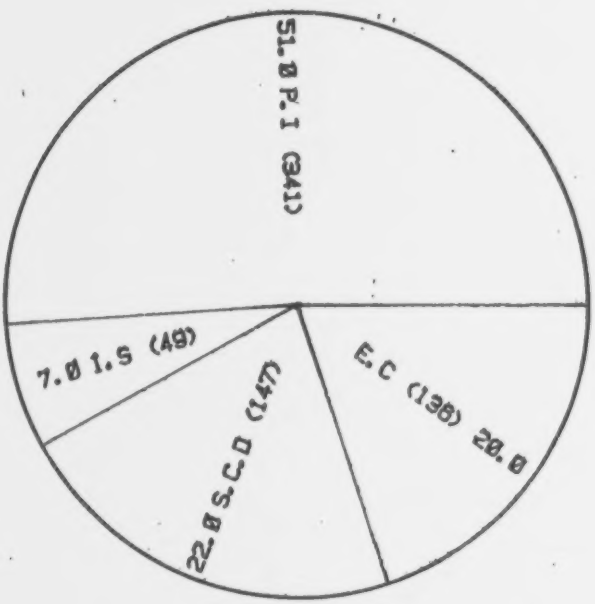
OFFICE OF COMPLIANCE AND CONSUMER ASSISTANCE
PERCENTAGE OF STAFF YEARS BY PROGRAM ACTIVITIES
FY 1983 - - - - 414 STAFF YEARS



PROCEEDINGS - PROCEEDINGS (30)
POLICY - POLICY AND ANALYSIS (4) 1%
ENFORCEMENT - ENFORCEMENT (125)
COMPLIANCE - COMPLIANCE AND CONSUMER ASSISTANCE (255)

CHART 3

ENFORCEMENT CASES CLOSED FY 1983
FOUR PRINCIPAL CATEGORIES WITH CASE TYPES LISTED
TOTAL 673 CASES



P.I - PUBLIC INTEREST

- ETHICS
- FITNESS
- HOUSEHOLD GOODS
- MISAPPROPRIATION OF CARRIER ASSETS
- ICC DECISIONS - ORDERS
- OVERCHARGES - DUPLICATE PAYMENTS - COD
- RECORD MAINTENANCE
- UNAUTHORIZED TRANSPORTATION
- DIRECTED SERVICE

I.S - INSURANCE-SAFETY

- INSURANCE
- SAFETY FITNESS

S.C.D - SPECIFIC CONGRESSIONAL DIRECTIVES

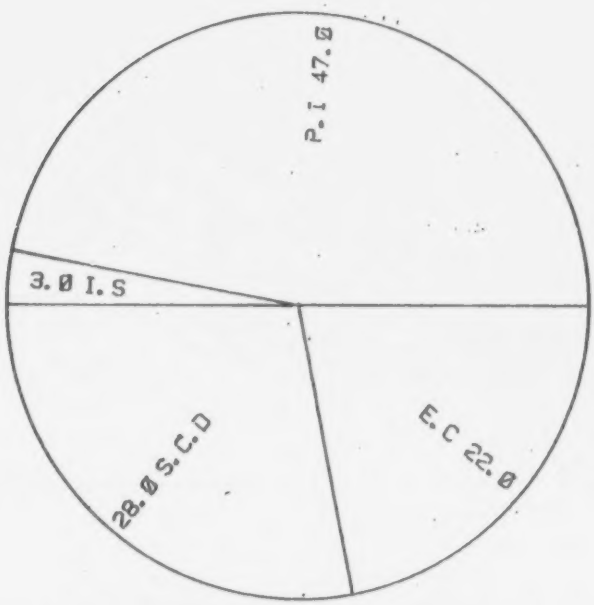
- OWNER OPERATOR ABUSES
- WEIGHT BUMPING
- ILLEGAL LUMPING

E.C - ENHANCED COMPETITION

- ANTITRUST
- KICKBACKS
- ILLEGAL CONCESSIONS - REBATES
- SERVICE NEEDS
- UNAPPROVED MERGERS - ACQUISITIONS

CHART 4

PERCENTAGE OF STAFF RESOURCES DEVOTED TO FOUR PRINCIPAL ENFORCEMENT CATEGORIES - FY 1983



PERCENTAGES BASED ON LIMITED KNOWN DATA SUPPLEMENTED BY ESTIMATES AND EXCLUSIVE OF ALL SUPERVISORY AND SUPPORT STAFF.

P.I - PUBLIC INTEREST

- ETHICS
- FITNESS
- HOUSEHOLD GOODS
- MISAPPROPRIATION OF CARRIER ASSETS
- ICC DECISIONS - ORDERS
- OVERCHARGES - DUPLICATE PAYMENTS - COD
- RECORD MAINTENANCE
- UNAUTHORIZED TRANSPORTATION
- DIRECTED SERVICE

I.S - INSURANCE-SAFETY

- INSURANCE
- SAFETY FITNESS

S.C.D - SPECIFIC CONGRESSIONAL DIRECTIVES

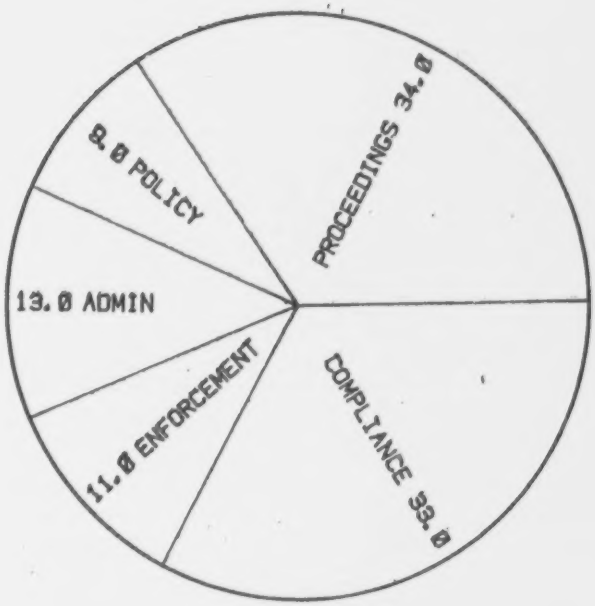
- OWNER OPERATOR ABUSES
- WEIGHT BUMPING
- ILLEGAL LUMPING

E.C - ENHANCED COMPETITION

- ANTITRUST
- KICKBACKS
- ILLEGAL CONCESSIONS - REBATES
- SERVICE NEEDS
- UNAPPROVED MERGERS - ACQUISITIONS

CHART 5

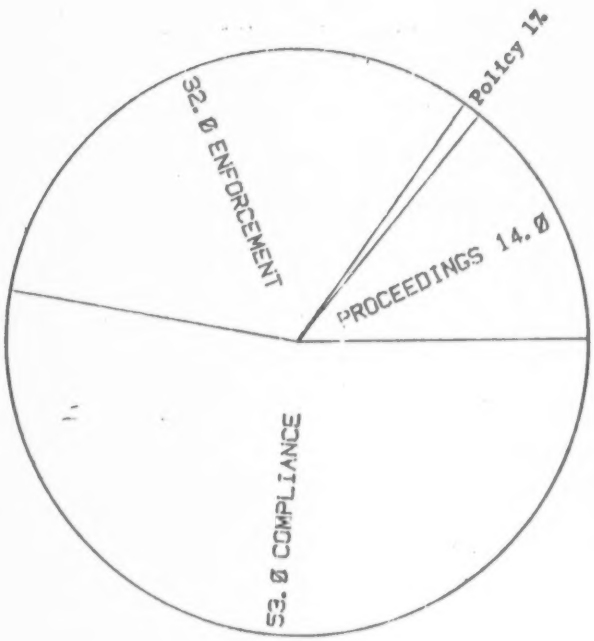
PERCENTAGE OF STAFF YEARS BY PROGRAM ACTIVITIES
FY 1982 - - - - 1549 STAFF YEARS



PROCEEDINGS - PROCEEDINGS
POLICY - POLICY AND ANALYSIS
ADMIN. - ADMINISTRATION
ENFORCEMENT - ENFORCEMENT
COMPLIANCE - COMPLIANCE AND CONSUMER ASSISTANCE

CHART 6

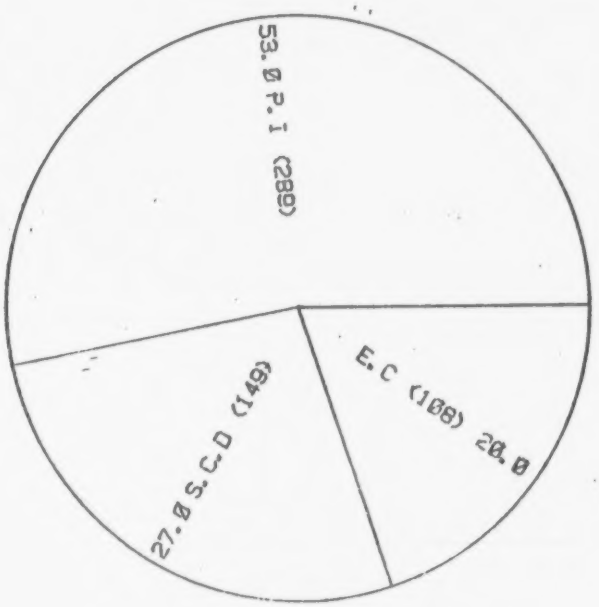
OFFICE OF COMPLIANCE AND CONSUMER ASSISTANCE
PERCENTAGE OF STAFF YEARS BY PROGRAM ACTIVITIES
FY 1982 - - - - 498 STAFF YEARS



PROCEEDINGS - PROCEEDINGS (70)
POLICY - POLICY AND ANALYSIS (3) 1%
ENFORCEMENT - ENFORCEMENT (159)
COMPLIANCE - COMPLIANCE AND CONSUMER ASSISTANCE (266)

CHART 7

ENFORCEMENT CASES CLOSED FY 1982
THREE PRINCIPAL CATEGORIES WITH CASE TYPES LISTED
TOTAL 546 CASES



INSURANCE AND SAFETY FITNESS INCLUDED
IN PUBLIC INTEREST

P.I - PUBLIC INTEREST

- ETHICS
- FITNESS
- HOUSEHOLD GOODS
- MISAPPROPRIATION OF CARRIER ASSETS
- ICC DECISIONS - ORDERS
- OVERCHARGES - DUPLICATE PAYMENTS - COD
- RECORD MAINTENANCE
- UNAUTHORIZED TRANSPORTATION
- DIRECTED SERVICE

I.S - INSURANCE-SAFETY

- INSURANCE
- SAFETY FITNESS

S.C.D - SPECIFIC CONGRESSIONAL DIRECTIVES

- OWNER OPERATOR ABUSES
- WEIGHT BUMPING
- ILLEGAL LUMPING

E.C - ENHANCED COMPETITION

- ANTITRUST
- KICKBACKS
- ILLEGAL CONCESSIONS - REBATES
- SERVICE NEEDS
- UNAPPROVED MERGERS - ACQUISITIONS

CHART 8

PERCENTAGE OF STAFF RESOURCES DEVOTED TO THREE PRINCIPAL ENFORCEMENT CATEGORIES - FY 1982

PERCENTAGES BASED ON LIMITED KNOWN DATA SUPPLEMENTED BY ESTIMATES AND EXCLUSIVE OF ALL SUPERVISORY AND SUPPORT STAFF.

P.I - PUBLIC INTEREST

- ETHICS
- FITNESS
- HOUSEHOLD GOODS
- MISAPPROPRIATION OF CARRIER ASSETS
- ICC DECISIONS - ORDERS
- OVERCHARGES - DUPLICATE PAYMENTS - COD
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- ANTITRUST
- KICKBACKS
- ILLEGAL CONCESSIONS - REBATES
- SERVICE NEEDS
- UNAPPROVED MERGERS - ACQUISITIONS

EXAMPLES OF VIOLATIVE ACTIVITY

A. Enhance Competition	
1. Antitrust	° Fixing Rates (outside Rate Agreement)
2. Kickbacks	° Payoffs to traffic managers or others by carriers for traffic considerations.
3. Illegal Concessions	° Same as kickback "payoffs" except that money or favors go to the shipper entity.
4. Service Needs	° Very limited in today's climate but a rail example would be captive shippers losing their shipping capability because of unauthorized abandonment by railroad.
5. Unapproved Merger/ Acquisition	° Situations which indicate that the unauthorized merger lessens competition to the detriment of the public.
B. Insurance/Safety Fitness	
1. Insurance Lapses	° Situations where carriers may attempt to operate without insurance.
2. Fitness	° Intervention in application proceeding where carrier's insurance and safety record history should be a major consideration in deciding whether a license should be granted.
C. Specific Congressional Directives	
1. Owner-Operator Abuses	° Schemes involving carriers defrauding owner-operators out of portions of their earned revenue.
2. Weight Bumping	° Adding weight to residential shipper's household goods by various schemes to illegally increase freight charges.
3. Illegal Lumping	° Coercive arrangements that are forced on drivers to use and pay lumpers for loading and/or unloading trailers.
D. Public Interest	
1. Ethics	° Submission of false information by practitioners.

2.	Fitness (other than safety)	° Intervention in applications where carrier's non-compliance history should be a major consideration in deciding whether a license should be granted.
3.	Household Goods	° Situations where carriers' have a pattern of causing "harm" to residential household goods shippers and fail to resolve the issues adequately. Harm can involve service failures or relate to excessive charges.
4.	Misappropriation of Carrier Assets	° Infrequent. Usually limited to situations where the schemes enrich corporate officials and result in the public being adversely affected through higher rates or inferior service.
5.	Commission Decisions/ Orders	° The Commission must enforce its decsions, otherwise its Orders and authority are jeopardized.
6.	Overcharges/Duplicate Payments/COD	° These types of matters ocver the daily carrier--shipper financial transactions. Our concern arise where carriers deliberately engage in practices to defrauding its patrons.
7.	Record Maintenance	° Situations where the non-maintenance of required records by carriers show that the practice was intentionally designed to conceal illegal behavior.
8.	Unauthorized Transportation	° Situations where the carrier continues to operate without authority and required insurance after attempts have been made to
9.	Directed Service	° A series of cases growing out of the Commission's order requiring the Kansas City Terminal Railroad to operate the Rock Island. Most cases involve the failure of various parties to pay bills submitted by KCT for services provided during the directed service period and for which the loss is charged back to the U.S.

MEETINGS SCHEDULED

Senator ANDREWS. Mr. Chairman, I assume that the Commission is going to meet, go over it, and do all that. How are you going to send the notification out to these Commissioners? Are you going to get the U.S. marshals to go out and find them and tell them to get together so that you can have a meeting for the first time in 2 years, or what?

Mr. TAYLOR. No; I am sure they will be willing to meet, Mr. Chairman. As a matter of fact, we have already indicated the dates and times in June when we expect to have these oral arguments, and included in those dates is a session for this conference, and I think everybody has cleared some time, and they are going to be available to do that.

So we will have a number of meetings in June.

ENFORCEMENT ACTIVITIES

Senator ANDREWS. Last year, Mr. Chairman, the Appropriations Committee provided additional funds and positions, primarily to boost the ICC's enforcement activities. Can you tell the committee how those additional personnel are being employed?

Mr. TAYLOR. They did not all get to the enforcement effort, unfortunately. I think that is what Congress intended, but because there was a lack of specificity—25 positions were very carefully earmarked on the House side to go to enforcement—so they wound up in the Office of Compliance and Consumer Assistance. But unfortunately, the other additional people that were added wound up in the Office of Proceedings, which is probably the last place in the world they should have been. If there is one office in the Commission that is overstaffed, that is probably it.

But that was by a vote of the Commission on the allocation of those additional 50 people, and it did not come down the way it should have. So we did not get all we would have liked.

Now, insofar as the 25 that the House specifically earmarked for OCCA, Mr. McFarland is probably better able than I am to tell you exactly how they have been employed and what they have been doing.

Senator ANDREWS. Well, let us back up a little bit. Who decided that they should not all go to Compliance and Consumer Assistance?

Mr. TAYLOR. The Commissioners did, in a 3-to-1 vote. I voted to put them all into the enforcement area, and that is where they belonged. That would have increased the OCCA staff to somewhere around 340 people, and they insisted upon——

Senator ANDREWS. How do these Commissioners vote, these other three? Do they send in their vote by telegram, or what?

Mr. TAYLOR. No; it is a notation voting system, Mr. Chairman. They are all recorded on a sheet of paper, and then it is run through the clearance office, and then it becomes an official action.

Senator ANDREWS. But you send the message around, and then they report in. They do not sit down and meet and talk about goals. They do not sit down and talk about the recommendations the Congress made when they added these people?

Mr. TAYLOR. Matters to be voted upon are circulated to the Commission, very frequently by my office; if not, sometimes directly by the Office of Proceedings or the Bureau of Traffic or the Office of Compliance and Consumer Assistance, sometimes Accounts. And then they are reviewed by the Commissioners' staffs. Usually, there is a voting deadline established, and the staffs talk back and forth to each other. Occasionally, the Commissioners talk back and forth to each other informally, without having a meeting as such. There is a deadline established when the votes are due. Then everybody records their vote in writing, and those go through a clearance process if there are any little differences—sometimes that occur with specific language or terminology in a given decision—and then that becomes the official action of the Commission.

ENFORCEMENT WORKLOAD

Senator ANDREWS. Well, the committee provided additional resources for enforcement. Yet, the workload indicators for enforcement—and some of them got through to enforcement—25 got through to enforcement; 15 got shanghaied out someplace else, as you have just mentioned.

Yet, on page 50 of your justification, you do not show any workload increase from fiscal year 1983 to 1984, and a decline from fiscal year 1984 to 1985. What has been the impact, to date, of these 25 that did go where they were supposed to go?

Mr. TAYLOR. I really think that I ought to ask Mr. McFarland to address that, if I may, because he knows what his people have been doing, and unfortunately there is some information in here that was provided by the Commissioners' offices that I am not sure he agrees with. But I think he is the one that should address that, if I might ask him to.

Senator ANDREWS. Well, it would be nice to know what these new folks are doing.

Mr. MCFARLAND. Mr. Chairman, they are gainfully employed. What I think needs to be made clear is that ——

Senator ANDREWS. Gainfully for whom? Themselves or the taxpayers of this country?

Mr. MCFARLAND. The taxpayers of this country, sir.

Senator ANDREWS. Well, that is fine, but you do not show them in any kind of a report card as far as what is being accomplished. And that is all we have to go on when we ask for your workload.

But please explain.

Mr. MCFARLAND. All right. Two things: First is that it was not an increase in staff; it was simply a less severe decrease. Second is that the workload figures that are contained in the budget that were transmitted to this committee were not workload figures which were provided by my office. They were adjusted after they left my office to reflect the decreased staffing levels that were given to me.

In other words, the amount of work that was projected was adjusted to reflect the number of people that would be assigned to that. I had nothing to do with those numbers.

Senator ANDREWS. You remind me of the old story, "Ain't nobody here but us chickens, boss."

Mr. MCFARLAND. No, sir, that is not what I am trying to say. I am trying to say that I gave figures which accurately reflected the workload of my office, which projected the actual workload of my office. Those figures did not get into the budget.

Senator ANDREWS. Where did the figures come from that got into the budget?

Mr. MCFARLAND. They were developed, according to testimony presented on the House side, by members of the staff of the three Commissioners who voted the lower levels.

Senator ANDREWS. So what we have is a staff of the overall Commission, and then we have individual Commissioners' staffs as one that you are asking $1¼ million apiece for, $4¾ million total. And the ones do not seem to know what the others are doing.

Mr. MCFARLAND. I would agree with that.

Senator ANDREWS. And yet, in the budget presentation that comes up here, you are telling us that it is an accumulation of facts and figures from the individual Commissioners who sit off in these—we do not know whether they are newly redecorated "hidey holes" or not yet, but we will find out—cranking up these facts that you now tell us you disagree with.

Mr. MCFARLAND. That is correct.

Senator ANDREWS. Interesting, you know. It is sort of straight out of Lewis Carroll, Alice in Wonderland wandering down—you do not even do it with mirrors.

Let us look at the quality of what we are doing for just a minute, before I turn it over to Senator Byrd. And this has been a most interesting discussion, Senator. We have developed that other commissioners are paid on an average of $100,000 to $200,000 apiece. These are already making about $540,000 apiece, with their personal staff. They are asking for a budget of $4¾ million.

Mr. TAYLOR. I should straighten out the record as far as Commissioners' pay at least, Mr. Chairman. I think mine is the top salary paid at $70,000, and I think they get $69-something, but the total——

Senator ANDREWS. Oh, no. The Commissioners and their staff.

Mr. TAYLOR. The total to support their office is $539,908 for fiscal year 1985.

BOXCAR DECISION

Senator ANDREWS. And we just developed, a moment or so ago, that those offices operate as separate little satellites out there, and there is no communication, even in the processing of a budget request, from those separate kingdoms into the whole.

Now we will go into the quality, a couple of questions, and then I am sure Senator Byrd might be most intrigued with some of these proceedings.

The car service, car supply issue. In ex parte 346, the Commission stated, and I quote:

> We shall not relax the mandatory interchange requirement for boxcars. Equipment loaded with an interline shipment must be passed onto and accepted by the connecting carrier to whom the shipment is transferred at a gateway. We shall retain our authority to require switching of and the joint use of terminal facilities for boxcar traffic. We shall also retain jurisdiction to enforce the railroad's obligation as common carriers to supply boxcar equipment to shippers for loading upon reasonable request.

That is your ex parte statement. Now——

Mr. TAYLOR. That is not my statement, Mr. Chairman.

Senator ANDREWS. Well, it is from the Commission.

Mr. TAYLOR. Because I dissented very strongly from the boxcar case. I think that is one of the——

Senator ANDREWS. Well, that is fine; you dissented. But this is a hearing of the Interstate Commerce Commission, and that is a statement and a ruling by the Interstate Commerce Commission.

Mr. TAYLOR. That is correct.

Senator ANDREWS. Now, with the additional staff, since we are examining the budget request for the additional staff—I want to look at this ruling and see what comes next.

Assuming an interline carrier and a car owner do not have a bilateral contract, can the receiving carrier reject interchange?

Mr. TAYLOR. No; I do not think he can. But I think one of the problems——

Senator ANDREWS. What do you mean you do not think he can?

Mr. TAYLOR. Well, we really do not know where we are with this boxcar decision. I did not even support it. I think it is one of the more ludicrous things that has ever come out of the Commission. But the problem with it is——

Senator ANDREWS. The tragedy, Mr. Chairman, you may not have supported it, but it is what the Commission did. And boxcars affect West Virginia and North Dakota and a number of other States, and that is why we would not be doing our business if we did not ask about this.

Mr. TAYLOR. Mr. Chairman, the Commission did one even worse thing that I also dissented from—regarding how the boxcar decision was to interface with our existing car-hire/car-service rules. And, of course, the Staggers Act relaxed how those rules are to work, too. Really, we are now, in terms of car orders, talking only about emergency situations on either a national or a regional basis, and for a 30-day period and so on. But there was quite a bit of question—and I think justifiably so—in terms of what we had done with the boxcar exemption, as to what the interface should be and would continue to be between that ruling and our car-hire/car-service rules.

And, naturally, the American Association of Railroads wanted the Commissioners to hold the lantern for them a little bit and give them some guidelines. So they came in after the decision and asked for some help on that matter. And once again, by a 3-to-1 vote, the Commission told them no, we are sorry; we will do that on a case-by-case basis; you are not going to get any guidance or help or assistance as to what that interface should be and how it should work.

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And I believe that is terribly unfortunate, but that is where we are.

REJECTION OF INTERCHANGE BY RECEIVING CARRIERS

Senator ANDREWS. Well, let's get back to—we talked first about quantity of effort down there, and we found that to be wanting. We talked about cost of individual Commissioners. We are shocked at what we found. Now we are talking about quality of response to your own ruling.

And if I could get back to ask the simple question that the American taxpayer—that job providing business out there has to ask, given this ruling—again, Mr. Chairman and/or whoever on your staff can answer it, assuming an interline carrier and car owner does not have a bilateral contract, can the receiving carrier reject interchange, given your ruling?

Mr. TAYLOR. Can you give me the question again?

Senator ANDREWS. Assuming an interline carrier and car owner do not have a bilateral contract, can the receiving carrier reject interchange?

Mr. TAYLOR. I think the answer to that is very clear: No, they cannot reject the interchange. And if you would like Mr. McFarland to expand on that, I would be glad to have him do so. That is his area.

Senator ANDREWS. Well, no; you have already answered it by saying no. Does Mr. McFarland agree with that answer?

Mr. TAYLOR. He does.

Senator ANDREWS. Let the record show that there are a number of nods in the affirmative.

Now, following up again this ex parte 346, what power or mechanism does the Commission intend to use to enforce boxcar supply upon reasonable request?

Mr. TAYLOR. Well, again, we do not really have much authority any more in that area. The old mandatory——

Senator ANDREWS. Well, you threw the shipper to the wolves. Now how are you going to make this thing work?

Mr. TAYLOR. The most we can do is to monitor the situation. Of course, there is a great boxcar surplus at the moment. There is no shortage of boxcars anywhere. That is what really led to the boxcar exemption proceeding. Conrail had all these empty boxcars on their hands, and they did not know what to do with them.

Senator ANDREWS. That is wonderful, but I remember 10 years ago when there was not that surplus, and we were scratching around trying to get some.

Mr. TAYLOR. That is right. That has happened before. And, you know, who is to say? It supposedly could happen again, although, with TOFC/COFC now, there is a question as to whether or not boxcars really are going to continue on as an important piece of equipment. In fact, that is one of my problems with the decision. There are many in the railroad industry who think that boxcars were headed the way of the caboose, but for this governmental interference with that process, which now sort of puts a premium on using a boxcar because anything

that moves in it is exempt. That whole process may be somewhat interfered with, and they may not go the way of the caboose, at least as soon as everybody in the industry had thought they should and might.

Senator ANDREWS. Well, does it seem administratively reasonable that approximately 500 railroads would have bilateral car-hire agreements covering approximately 600 nonprivate car reporting——

Mr. TAYLOR. Does it seem reasonable that that should occur?

Senator ANDREWS. Yes.

Mr. TAYLOR. Yes.

Senator ANDREWS. It seems reasonable?

Mr. TAYLOR. Well, let me be sure I understand your question now.

Senator ANDREWS. According to—again, we are going back to ex parte——

Mr. TAYLOR. Oh, will they be able to enter that many?

Senator ANDREWS. Does it seem administratively reasonable that approximately 500 railroads would have bilateral agreements covering approximately 600——

Mr. TAYLOR. And you are talking boxcars now that would have those agreements?

Senator ANDREWS. Yes.

Mr. TAYLOR. Well, I think that is—we do not know how that is going to go down. I think the difficulty with the whole thing, particularly insofar as the class III railroads are concerned, is that they just do not have the leverage to enter into those agreements. Conrail has been trying to make some during this sort of sweetheart period for judicial review.

LEVERAGE OF CLASS III RAILROADS

Senator ANDREWS. Mr. Chairman, you mentioned leverage, along with the quality of the work that you are turning out down in the Commission. Again then, let's follow up leverage.

What leverage does a class III railroad have in negotiating with class I's to get its terminating boxcars reloaded and returned at a fair price?

Mr. TAYLOR. Well, that is my whole problem. I discussed that at length in my dissent to that decision as well. I do not think that they do have much leverage.

Now, Conrail has gone out of the way to enter into some agreements with a few small class III's in order to hopefully demonstrate that this can be done. But I think we are in a kind of sweetheart or honeymoon period now while there is still some legislation pending on the Hill. Judicial review is in progress. Oral argument will be held on the boxcar matter sometime probably early in May, so I think everybody is being very careful and cautious right at the moment about where we are.

Furthermore, for the class III railroads, in terms of their equipment, it does not become effective until July 1. But I do not think they have the leverage, and I think that is one of the problems about it. I think that was a very erroneous assumption to believe that they could sit and bargain for something less than this 35-cents-a-mile maximum charge to send the boxcars home that the Commission imposed.

They are so disturbed about it and concerned. I attended their meeting here yesterday and their reception the evening before, and all I heard from everybody there was, what are we going to do to forestall the boxcar exemption going into effect? And I said, I am afraid really where you are now is pretty much in the laps of the courts, unless some legislation can be enacted.

Senator ANDREWS. What happens to those shippers that require boxcars with particular characteristics? Won't class I's inflict higher return rates for such cars?

Mr. TAYLOR. Well, what you have really done is put the clout in the hands of the handling railroad instead of the owning railroad, and if you are a little class III, that is where the problem lies. Conrail has got all the whip now.

The industry was in the process of working this thing out on its own, and that is the way it should have been left. In my opinion, it was a terrible mistake, particularly without the attention and serious concern that it warranted, for the Commission to have intervened at least into the car-hire/car-service portion. Even as presented, we could have bifurcated the case. We could have just looked at the rate portion.

I have problems with that, too, because I think you should do your exempting by commodities and not by equipment types, because you now have the confusion that if a particular commodity moves in a boxcar, it is an exempt movement; if it moves in some other piece of equipment, it is not exempt. And I think that is rather ludicrous and ridiculous on its face as well.

But leaving that aside, certainly the Commission should have taken the time, through a bifurcation of the proceeding, to give a lot more study and attention, if it was really going to get into the act, to the whole car-hire/car-service portion of the boxcar exemption matter because, mind you, that was not deregulation. That was reregulation without appropriate notice, and I think there is no question but what that point is going to be raised in court.

SHIPPER PROTESTS

Senator ANDREWS. Mr. Chairman, I just have one other question to ask, and I know other Senators are busy and they want to get into this, too.

The Commission has elected not to furnish any definitive guidelines for the cancellation of joint rates and through routes, preferring to resolve the issues on a case-by-case basis. There was an acknowledgment in ex parte 427 that the protesting shipper or carrier must rely entirely on information supplied by the proponent or canceling carrier.

What has been the ratio of shipper protests to number of joint rate and through route cancellations on a case-by-case basis?

Mr. TAYLOR. I cannot give you that information off the top of my head. Let me see if anybody at the table can.

Senator ANDREWS. Can you provide that for the record?

[The information follows:]

RATIO OF SHIPPER PROTESTS

In 1983, the ratio of shipper protests to the number of joint-rate and through-route cancellations was 1 to 11. The Commission identified 33 joint-rate cancellations which were brought before the Suspension Board during fiscal year 1983. This was an increase over the 24 cancellations identified during fiscal year 1982 (as reported in the Commission's Annual Reports for 1982 and 1983). During the period from April 1, 1983, to March 31, 1984, there have been 11 joint rate cancellation cases protested before the Suspension Board. All of those cases involved railroad protestants, 15 railroads in all. Only 3 cases involved 9 shipper protestants. Seven shippers protested in one case, and one shipper protestant was involved in each of the remaining two cases.

The ICC's Joint Rates Study, November 1982, acknowledged both shipper and railroad complaints of being disadvantaged by joint-rate cancellations, but the study concluded that most affected parties are able to adjust by using or developing routes not subject to cancellations (or surcharges) or by diverting traffic to other modes.

In ex parte 445, Standards for Intermodal Rail Competition (not printed), decided June 27, 1983, the Commission initiated an industrywide study related to rail rate changes, route restrictions, and terminal operations. The Office of Transportation Analysis is currently developing a profile of cancellations (both joint rate and reciprocal switching agreements) in order to assess their impact on railroads, shippers, and other modes. That study should be completed at the end of this year.

FACILITATING FLOW OF INFORMATION

Senator ANDREWS. What actions have been initiated by the ICC to facilitate the flow of information from the canceling carriers to protestants?

Mr. TAYLOR. We have a study going. I think——

Senator ANDREWS. Well, you have a study going. What actions have you initiated?

Mr. TAYLOR. I do not think any actions have been initiated.

Senator ANDREWS. You are saying none.

Mr. TAYLOR. Of course, you know, in this whole boxcar situation, it really has not had a chance to take effect yet. It is difficult to make any real asssessments of it. It is not even in being insofar as the class III's are concerned.

Senator ANDREWS. I know, but you have just testified that it is a ridiculous deal, and maybe you are going to have to change it around.

Mr. TAYLOR. Well, I hope it will get changed around.

Senator ANDREWS. Would the number of protests increase if this essential information were more readily available and understood by shippers?

Mr. TAYLOR. Well, I do not know. It might. One of the problems with the Commission today is that lots of people think it is an exercise in futility to protest or complain about anything to the Commission. So for me to give you an assurance that protests would increase, I do not know what I would base it upon. We do not get that many complaints or protests anymore, because I think most people feel it is not going to gain them anything to bother with it.

Senator ANDREWS. You mean we have a bunch of Commissioners sitting down there, with individual staffs, and you are asking for $4¾ million to take care of the poor Commissioners, and you do not get any ac-

tion, and you are not—you just said that you have initiated no action to facilitate the flow of information.

What has been the ratio of joint-rate and through-route cancellations under the 110 percent of variable cost thresholds in section 10705(a) compared to the public interest criteria in section 10705(e)?

Mr. TAYLOR. I will have to provide that for the record, too.

Senator ANDREWS. Well, it is amazing.

Mr. TAYLOR. But I think I can tell you very, very few have been filed.

[The information follows:]

JOINT-RATE CANCELLATIONS

In 1983, there were no joint-rate or through-route cancellations under the 110 percent of variable cost thresholds in section 10705a. The Commission interprets the cancellation provisions of section 10705a as generally providing railroads with the absolute right to cancel joint rates when the division of revenue affords a carrier a revenue/variable cost ratio of less than 110 percent. When the canceling railroad's revenue/variable cost ratio exceeds 110 percent, the Commission will consider cancellations filed under section 10705a under the public interest standard of section 10705(e), which has historically governed joint-rate cancellations.

As reported in the Commission's 1982 Annual Report, 22 of the 24 cancellations during that fiscal year were decided under section 10705(e). Because the revenue/variable cost ratio for many joint rates subject to cancellation exceeded 110 percent, all cancellation cases during fiscal year 1983 were decided under section 10705(e).

With regard to the relationship between section 10705(e) and section 10705a, the U.S. Court of Appeals for the District of Columbia Circuit, in *Southern Ry. Co.* v. *ICC*, 681 F.2d 28, 32 (D.C. Cir. 1982), stated: "there was now a 'two-track system': cancellation under pre-Staggers Act Law [section 10705(e)] or cancellation under section 10705a." The court noted that tariffs canceling joint rates under pre-Staggers Act law must, according to the ICC, be filed on at least 10 to 20 days' notice, 49 U.S.C. 10762(c)(3), whereas section 10705(f) specifically requires 45 days' notice. The court recognized that the ICC's one-time requirement of 45 days' notice might be read to suggest that the ICC initially regarded section 10705a as the only cancellation provision available. However, the Court rejected that view by stating: "we see no reason to construe the ICC's cautious action, requiring 45 days' notice on all joint-rate cancellations until the scope of the new statute was construed, as precluding it from later taking the position that another statute, requiring 20 days' notice, sometimes governs cancellations."

NUMBER OF COMMISSIONERS

Senator ANDREWS. You have told us actually, in essence, I might say to Senator Byrd and Senator Kasten, that you are asking for more money, you are doing nothing, you have not had a meeting of the Commission since 1982. You issue rulings, and if the general public—the shippers—that is us, the consumer—come back and want some definition, we cannot get the definition. Nobody knows where they are, and you as Chairman of the Commissioners suggest that we are going to have to correct it by legislation.

I think, really, not only what I mentioned before—that we ought to put a cap on the Commission—no more than five Commissioners—I do not even know if we can afford the four that we have.

Mr. TAYLOR. Let me tell you, Mr. Chairman. We could get along very well with three. And, unfortunately, there was an opportunity to do something about that early on in 1982.

Senator ANDREWS. You may have the opportunity right quick.

Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

From what I have heard here this morning, I should think it might get along with one. I hope that would be this gentleman right here.

Senator ANDREWS. I think there is merit to that.

Senator BYRD. I wonder if the General Accounting Office has taken a look at this aspect of the Commission.

Senator ANDREWS. They have. That is one of the things we talked about, and they cannot have a meeting of the Commission to sit down and respond to what the GAO says even, Senator.

Senator BYRD. Did the GAO get into this aspect?

Senator ANDREWS. Not that aspect.

Mr. TAYLOR. Senator Byrd, let me just say that the GAO report which was asked for by the House, dealt with the Commission's enforcement program and our enforcement staff, whether we had valid objectives, whether they were being pursued, how we were allocating our resources to those objectives. And it was really confined to that. It was not a general overview on the agency as a whole.

Senator BYRD. I think it is a shocking thing to learn that the Commission has not met since October 1982—17 months.

How many Commissioners are there?

Mr. TAYLOR. We have four at the present time. We are scheduled for seven. If you recall way back when, the Commission was originally set up some time ago for 11 members. We have not had 11 for a long, long time. We have four at the present time. We have no Democrats. We have been without a Democrat on the Commission since March 1983.

We had an opportunity in early—I guess it would have been January or February 1982—to go down to three, because at that time we only had two Commissioners sitting on terms, and one was leaving at that point in time, not one of those two, and a third one could have been filled, and then they could have reduced the whole Commission down to three. And that would have been plenty.

But, unfortunately, the administration went ahead and put three more Republicans on in addition to myself, so then the only way we could get it down was—if we were going to keep the political balance—was to go to seven and then down to five. We go down to five at the end of 1985. That is what we are scheduled for at the present time.

And, of course, as far as budgeting for these offices is concerned, the question of when we get Commissioners and how many we get is totally out of my hands. I cannot do anything about that. There are discussions going on now over the seventh seat, and presumably we are going to get a full complement. Whether it will all happen fast enough for the confirmation process to take place and all, I do not know. But I cannot not budget for them if they are going to come on board, and yet I have to agree with the chairman; we have had—what—a $539,000 figure for each of these Commission offices now for some time, and we

continue to sit with four. If we do not get some name up here pretty quickly, I think with the recess that is coming in June and this being a political year, we are going to be probably sitting with four for the rest of the year.

COMMISSION MEETINGS AND VOTING

Senator BYRD. Could you supply the committee with the—perhaps it is already available to the committee, or you may have already been asked to supply it—the number of hours that the Commission has been together in meetings annually for the last 5 years?

Mr. TAYLOR. I think we can develop that, yes. Understand now, that it is not, as I indicated to the chairman earlier, perhaps before you came in, that it has not been Commission practice to have, as some of the independent agencies do, a regular weekly meeting at which they sit around the table and vote cases.

[The information follows:]

COMMISSION MEETINGS

During the last 5 years (fiscal years 1979 through 1983) the Commission has held a total of 49 meetings, as follows:

Fiscal year:	*Number of meetings*
1979	25
1980	16
1981	2
1982	2
1983	4
Total	49

While the exact number of hours per meeting is not readily available, such meetings average between 4 and 6 hours. Therefore, the Commission has met a total of about 245 hours over the last 5 years.

Fiscal year:	*Estimated hours*
1979	125
1980	80
1981	10
1982	10
1983	20
Total	245

GROUP DISCUSSIONS

Mr. TAYLOR. Our practice has been to convene together as a group formally to discuss Commission business as such either in oral arguments or in general conferences on budget matters and so on. We used to have an annual budget conference. We did not even bother with that this year, because the way the budget had gone, it was very clear where they were and where I was, and it was not going to gain anything to have a meeting, so we did not do it.

Senator BYRD. Where do these people live? Do they live in the Washington area?

Mr. TAYLOR. My colleagues are you talking about now?

Senator BYRD. Yes.

Mr. TAYLOR. Well, let me start with myself. I live over in Arlington. Commissioner Sterrett lives in Maryland. Commissioner Gradison, whose husband is a Congressman, a Republican Member from Cincinnati, and a member of the House Ways and Means Committee, has a residence right here in Washington behind the Capitol. And Commissioner Andre lives over near Seven Corners.

Senator BYRD. What do they do to earn their pay?

Mr. TAYLOR. They are there to decide cases. We are a collegial body, and to decide upon policy. I have to be the implementer. But Congress has determined that the ICC should continue to be a collegial body and that we should not have a single administrator or anything less than the seven Commissioners that we are presently scheduled for, and so they do whatever is necessary to carry out the responsibility of establishing policy and voting on matters that come before the Commission that have to be decided.

They also, as we all do, some more than others, engage in some appearances outside, some speechmaking, and are constantly asked to do that sort of thing.

ABSENTEE VOTING RULE

Senator BYRD. They do their voting in absentia?

Mr. TAYLOR. No; we have an absentee voting rule which was adopted in case there is really an emergency situation. It is a very difficult proposition to deal with four Commissioners. That is the worst number in the book, as far as I am concerned, because it is an even number, to start off with. And we are all recent appointees, so we do not have anybody there who has got any history or background or perspective as such as to how the Commission used to function and what the role of the Commissioners' offices should be, vis-a-vis my office or the other staff offices. And that has, I think, been somewhat unfortunate.

But what we do is, we vote by notation voting. A matter is circulated, quite often by my office to the other Commissioners for their vote and approval, their input. Or it can come out of the Office of Proceedings, Bureau of Accounts, perhaps out of the Office of Compliance and Consumer Assistance. Their own personal staff in the Commissioner's office reviews it and discusses it with the Commissioner. Those staff people, in most cases, if it is controversial at all, deal and discuss with the staff members in the other Commissioners' offices. Hopefully, a consensus is arrived at, and then that vote is recorded on a piece of paper, and all of those votes are put together and run through the clearance unit in the Commission, and that then becomes the official action of the Commission.

And we do not, as many agencies do, sit down—it has never been practice at the ICC, at least in recent memory, as some agencies do—and have a meeting every Tuesday afternoon at 2 o'clock, for example, and sit around with an agenda of 25 cases to decide, and sit there and discuss them and vote them. That has not been done for some time.

Senator ANDREWS. So they can call in from their home and, say they vote aye or no on whatever this might be. And this staff and—maybe that is the reason for the 500-some-odd thousand dollars' worth of staff, so that they can keep track of where the Commissioner is, so they know do they call them in Florida, or call them in, as I said, Puerto Rico or someplace and say do you wish to vote yes on this today, Mr. Commissioner?

Mr. TAYLOR. Well, we have set up a procedure so that we can really control the absentee voting and make sure that it is verified that the Commissioner is actually voting. They have to confirm it with a telegram from wherever they are. It has to be done within a 24-hour period, and then they have to sign off on it when they return to the office, so it is not just the staff voting.

Senator ANDREWS. But you do have safeguards in effect so that their personal staff knows that it is indeed the Commissioner they are talking to on the telephone, wherever they might be, to verify the proper Commissioner?

Mr. TAYLOR. We endeavor to do that, absolutely.

Senator ANDREWS. And if there is some type of transmission difficulty on a trans-Atlantic call—if they happen to be over in Paris or something—you can understand for sure that it is the Commissioner that is casting that vote?

Mr. TAYLOR. Well, we have not had any voting by trans-Atlantic communication.

Senator ANDREWS. Do you know?

Mr. TAYLOR. Well, I know one of our Commissioners took a trip recently to England, but I also know—at least I am relatively certain—that there was not any voting done by the Commissioner during that absence.

Senator ANDREWS. Do you know if the Commissioner has come back?

Mr. TAYLOR. Yes.

Senator ANDREWS. Have you seen him around?

Mr. TAYLOR. We do see each other, Mr. Chairman. I am not saying that. There is quite a bit of informal discussion that goes on.

We may not sit down as a group around the table and talk about cases at any great length. That has not been practice, as I say. And we do communicate on the telephone, and we do have a lunchroom in which——

Senator ANDREWS. Mr. Chairman, I cannot resist this. When is the last time that you have personally seen the other three Commissioners?

Mr. TAYLOR. You mean as a group? All three of them together?

Senator ANDREWS. Oh, no, not as a group, because you said you have not gotten together as a group since 1982. But when is the last time that you have personally seen in the hall, in the men's room——

Mr. TAYLOR. Anyplace in the building?

Senator ANDREWS. When have you personally seen the body of these other Commissioners?

Mr. TAYLOR. Quite recently. On Monday, at the Private Carriers Conference, in the Russell Senate Office Building, at a luncheon which I attended.

Senator ANDREWS. Well, besides a long luncheon.

Mr. TAYLOR. No; they were not all there. The Vice Chairman, Fred Andre, was there. As a matter of fact, I introduced him to the group.

Senator ANDREWS. So they do get together at these cocktail parties and luncheons? When is the last time you have seen them——

Mr. TAYLOR. That evening, Commissioner Sterrett attended the Short Line Railroad reception, and we had quite a discussion there. [Laughter.]

I have not physically seen Commissioner Gradison for a time. She has just produced a fine young son, and is going through that process at the moment, so I have not seen her since just before the time that she delivered this second child.

Senator ANDREWS. But she calls in occasionally?

Mr. TAYLOR. Well, she is voting. I do not think she has missed any votes.

Senator ANDREWS. Senator Kasten said he would like that job.

NUMBER OF COMMISSION VOTES

Senator BYRD. Mr. Chairman, if you were Shakespeare, you could write a new Comedy of Errors, one that would perhaps surpass the original.

You seem to be very collegial in your personality, Mr. Chairman, but it does not sound like this is a very collegial body, if they do not get together more often.

How many votes has the Commission cast within the last 17 months since your last meeting in October?

Mr. TAYLOR. Well, if you want a specific number, I will have to produce that for the record. I can tell you that in a normal voting day—because there are an awful lot of very small matters that go through—much has been made of the fact that we are not in agreement on a lot of matters, and there have been some rather important ones upon which we have rather strongly disagreed. But there are an awful lot of very perfunctory things, too, that the Commission does which are really not controversial.

And in terms of actual matters that are voted upon, little, small exemptions, I do an awful lot of stay orders that I can act upon myself, individually—I would guess probably anywhere from an average of 10 to 12 matters a day I personally vote on myself, in addition to all of the administrative responsibilities for running the Commission.

But in terms of giving you a specific figure of total votes cast by the Commission, I do not vote on all cases that go through, because we still have two divisions, in the hopes that we were going to get more Commissioners. There are some of the cases that come up through the process from the review boards to two divisions. Those divisions have the same coextensive authority now to vote on anything, and I only

vote on those divisions when there is a tie. One of the other three Commissioners serves on two of those divisions, and usually they vote together, and there is not a tie to be broken. When there is, then I participate at the division level.

I also participate at the division level when one of the Commissioners is not around, but I do not vote a lot of the division cases.

So, in giving you these numbers, if you want total votes, we can do that; if you want the number of votes that each Commissioner has cast—I do not vote division cases, but on the other hand, there is some offset to that by virtue of the fact that I do what we call chairman orders, a number of those that the other Commissioners do not participate in at all.

But if you would like any statistics on that, we would be glad to develop it for you. It is all available.

Senator BYRD. All right. You can supply that for the record.

[The information follows:]

INDIVIDUAL VOTING RECORDS

The individual Commissioners were asked to provide the information you requested. the following are their responses:

CHAIRMAN REESE H. TAYLOR, JR.

[Voting record for the period October 21, 1982, to April 13, 1984 [1]]

Entire Commission actions:	
Number of cases voted by Chairman Taylor	1,503
Total absent and not participating	26
Total recusals	9
Total entire Commission actions	1,538
Division actions:	
Number of division cases voted by Chairman Taylor	141
Division cases in which there was no tie vote [2]	1,172
Total recusals	1
Total division actions	1,314
Single Commissioner actions: Total number of Chairman orders signed during this period	252

[1] All of Chairman Taylor's votes have been cast in the office, and he has never used the absentee voting procedure. Such procedure was only instituted because with just four Commissioners, when two are out of the office at the same time, at least one must vote to have the quorum that is necessary for a valid Commission action. See 49 U.S.C. 10306(a).

[2] Chairman Taylor participates in Division actions only in the case of a tie vote.

VICE CHAIRMAN FREDERIC N. ANDRE

According to central computer records, I have had 2,343 opportunities to vote on docketed matters during the period October 21, 1982, to April 13, 1984. Records in this office show that I did not participate in 176 of these cases, resulting in a rate of participation of 92 percent. These figures do not include an additional workload consisting of nondocketed items circulated on a no-objection basis.

COMMISSIONER MALCOLM M. B. STERRETT

According to my records, I have cast a total of 2,864 votes in docketed cases from October 21, 1982, through April 13, 1984. That total includes 154 not participating votes, which equates to a participation percentage of approximately 95 percent. In addi-

tion, my records also show a number of votes in miscellaneous nondocketed matters and quite a few items cleared on a no-objection basis.

COMMISSIONER HEATHER J. GRADISON

According to central computer records, I cast 2,153 votes between October 21, 1982, and March 13, 1984, the day that my son was born. During that 16-month period I did not participate in 17 votes resulting in a voting record of 99.2 percent.

Between March 13, 1984, and April 13, 1984, while on maternity leave, I participated in 7 of the 146 cases circulated for votes. Including the period of my maternity leave, I cast votes 2,160 times out of 2,316 opportunities, for a voting record of 93.3 percent.

In intend to resume a full voting schedule on April 23, 1984.

OTHER COMMISSIONERS PRESENT

Senator BYRD. Are other Commissioners here today?

Mr. TAYLOR. I do not believe so. I do not think, unless they are sitting in the back of the room, there were not any back there when I sat down.

Senator BYRD. Mr. Chairman, I yield to Senator Kasten who has to get back to the floor to manage the bill that is going to be up.

EMPTY BOXCAR MOVEMENT CHARGE

Senator KASTEN. I thank the Senator from West Virginia, and I thank the chairman.

Mr. Chairman, I have a number of questions having to do with the boxcar question, and I just want to say that a year ago, with Commissioner Gradison explaining at hearings in the Commerce Committee on that issue, I told her that I was having an awful hard time understanding how a new regulation imposing a 35-cent-per-mile empty movement charge could still be called deregulation. You essentially said, in your mind it was reregulation, not deregulation, and I agree.

I think it is important to point out that we are prepared and have been prepared to postpone or overturn or whatever that decision. We were prepared to do it legislatively. You then did it administratively. But it is clear——

Mr. TAYLOR. No, no. That decision has not been overturned administratively. All the Commission did was delay it, I think with the specific purpose in mind of forestalling any congressional action. And there is still a desperate need, if something is going to be done, for congressional action, because let me tell you where we are at the present time insofar as the class III's are concerned.

As I indicated earlier, this case is now up on appeal. There is an oral argument which has been set. I think it will be held sometime early in May before the District of Columbia Court of Appeals. But I think it is very unlikely that a decision will come down, because there was neither an administrative stay nor a judicial stay granted. The effectiveness of the exemption as to the class III railroads was simply put off until July 1, but I think it is very unlikely that you are going to get a decision on judicial review from that court before July.

And that is the thing all of the class III railroads are concerned about, and that is all I heard over at this reception all night long. So if you do not act and give the court the time to come up with its judicial review, it may well go into effect on July 1.

Senator KASTEN. Are you prepared now to postpone it administratively until the end of that judicial review?

Mr. TAYLOR. I am, most certainly. I would like to postpone it indefinitely, forever if possible, but I do not think—if you want me to express it to you in the parlance of Nevada, my home State, I would give you pretty long odds that you are not going to get any extension out of the Commission as it is presently comprised.

Senator KASTEN. In other words, we should act legislatively to postpone it at least until the end of the judicial review?

I have to leave in 1 minute, so just yes or no.

Mr. TAYLOR. Absolutely. If you do not do it, I think there is a possibility——

CANADIAN TRUCKING RECIPROCITY

Senator KASTEN. On another issue, you and I, a year or two ago, talked about the problem of Canadian trucking and reciprocity. At that time you had all sorts of very positive good ideas of directions that you were going in, that we were making all sorts of progress. In your words, an agreement of understanding had been reached with the Canadians. It was going to be a system of fairness to carriers in both countries. It was being worked out.

My best information is that that simply has not happened. And, specifically, I am told that both Roadway and Yellow Freight were turned down for operating authority by the Canadians recently. I am told that we have—I am supposed to be asking you, but I am going to give you both the question and the answer in the interests of time.

How many motor carriers received ICC authority in the past 2 years? I am told that 336 grants have been given. The question: How many U.S. motor carriers have received authorities during the past 2 years in Canada?

Mr. TAYLOR. I will have to supply that for the record. I was not aware that Roadway or Yellow Freight had had any problems in Canada, and we have had some excellent meetings with the Canadians. Mexico is a different story, but the relationship with Canada, we have tried very hard to work out. And I think it has worked fairly successfully.

I heard a little bit of a problem in the bus area with somebody in Quebec on the provincial basis.

Senator KASTEN. I am told, or at least my best information and understanding is that it is just the opposite of having worked very successfully; that there are serious problems. And I want you to know that Congress is prepared legislatively to deal with these problems if you and the Department of Transportation continue to be unable to deal with them.

Mr. TAYLOR. I think you have a real problem with Mexico, because that moratorium is going to run, and there is not any reciprocity or anything remotely like it there.

Senator KASTEN. I have a number of questions that I would like to submit for the record, and I really appreciate the thoughtfulness of the Senator from West Virginia and the chairman.

I just want to say that the Congress is prepared to act for the moratorium if we do not see progress on reciprocity. And I want you to know that. I have spoken with the Secretary of Transportation about that. Unfortunately, they have not gotten back to me, but there are some real problems. And in both of these areas, if we cannot do it the right way administratively, the Congress is going to act.

Mr. TAYLOR. Could you tell me specifically, is that the Province of Quebec? Because the licensing in Canada is provincial.

Senator KASTEN. One of the problems that it seems to me that we have, at least right now, is that the Canadian Federal Government is not negotiating with us. We are evidently negotiating province by province, so we get one kind of an agreement in one place, one kind of agreement in another, and the government says, well, we are not so sure we can do anything about it.

Well, we cannot operate that way, and the fact that we can operate in one part of Canada but not another does not solve our problem. When you give the Canadians a license for those 336 people that we have let in, they can operate anywhere they want. We do not say well, maybe in Minnesota today, maybe in Wisconsin the next day. That is not the way we are working and that is not the way we can allow the Canadians to work either.

Mr. TAYLOR. Well, unfortunately, that is the way they operate in the motor carrier area. It is on a provincial basis.

Senator KASTEN. Mr. Chairman, thank you very much. I do have a number of these questions that I will submit for the record.

Mr. TAYLOR. Thank you, Senator. We would be glad to respond.

BUS SERVICE

Senator BYRD. Thank you, Mr. Chairman.

On March 23, the Interstate Commerce Commission informed the West Virginia Public Service Commission and other interested parties, including me, that it would allow Trailways Bus Lines to cease service between Logan, W.Va. and Charleston, W.Va., and between Huntington and Welch, both communities in West Virginia.

That is a reversal of a September 9, 1983, decision by the Commission not to allow that service to be terminated.

How does the Commission—and I realize you were the one dissenting vote.

Mr. TAYLOR. That is correct, Senator Byrd.

Senator BYRD. Now, how does the Commission justify that outrageous reversal which would——

Mr. TAYLOR. Well, I do not see——

Senator BYRD. Now, let me finish my questions.

Mr. TAYLOR. I am sorry.

Senator BYRD. How does the Commission justify this outrageous reversal which would deprive southern West Virginia of critically needed bus service?

Mr. TAYLOR. I do not know how they can. When that case came up to us the first time around, it was really a disaster in terms of the figures that were presented. The carrier really did a very poor job. And whether they could have put their house in order on a second go-around or not is something else again.

But they were very disappointed, because that has been one of the few cases where the Commission has actually said to a carrier on one of these appeals that we are sorry, we are not going to give you any relief. The carrier was not quite sure what to do, and so they took two shots at the thing. One was to, in effect, ask the Commission for a chance, a second bite at the apple, so to speak, to run it around the track again, and let those same numbers be massaged and fooled with, but perhaps come up with a different result. And the other tack was to go back to the State commission, which they did.

And the latter is exactly what should have happened, and that is what I said in my dissent. If they did not present the right case to us on appeal, it certainly was not up to the ICC to sit there and straighten all of their marbles out for them, and give them the relief that they had asked for. I do not think that that is what the Bus Act calls for.

ROLE OF STATE COMMISSION

They should have been forced to go back to the State commission, put on an appropriate case again, and come on up through the appellate procedure, and let us see what they had done the second time around. And that is what I voted for.

Unfortunately, my colleagues gave them a second bite at the apple, despite the fact that the West Virginia commission had gone through a very laborious, lengthy hearing to rehear all of this evidence all over again, and there was quite a bit of evidence to the effect that there were some local communities that were really going to suffer as a result of this, and all of that should have been heard at the State level and presented again.

I cannot justify my colleagues taking that case and, in effect, rearranging the evidence, so to speak, to come up with a favorable result and overturn what was done the first time around. I think it was wrong. That is why I dissented.

Senator BYRD. I note in the finding, these words: "Persons objecting to the granting of permission to discontinue intrastate motor passenger transportation have not shown that continuing the transportation will not constitute an unreasonable burden on interstate commerce."

It seems to me that is like having to prove one's innocence, rather than having to prove one's guilt. It is placing the burden on those who

are being denied the service to prove that such a continued service is not an unreasonable burden on interstate commerce.

Why shouldn't just the opposite be true?

Mr. TAYLOR. Well, that is a tough burden. That is the way the statute is set up, Senator. It is always difficult to prove the negative and support it when you have that burden. And that is something that if you feel strongly about ought to go the other direction, I think will require congressional action, because that is what the statute presently provides.

Senator BYRD. Well, if that is the way the statute is presently written, why didn't the Commission abide by the statute that states as follows—and I cite from section 5 of the Bus Regulatory Reform Act, Public Law 97-261, National Transportation Policy, the ICC shall "provide and maintain service for small communities and small shippers and intrastate bus services." It seems to me that is in the law. Why has the Commission violated that section of the law?

You were a dissenter. I keep that in mind. But why did the other three Commissioners violate that section?

Mr. TAYLOR. Again, you are asking me what was in their minds when they did what they did, and I do not know that I can give you an appropriate answer to that.

Senator BYRD. I am sure you cannot. But at least the question should be asked for the record.

Mr. TAYLOR. If you would like to ask it for the record, I am sure that we could get them to give you a response for the record. Would you like to do that?

Senator BYRD. Yes; let's have them do that.

[The information follows:]

REVIEW OF VIRGINIA STAGE LINES CASE

VICE CHAIRMAN ANDRE, COMMISSIONERS STERRETT AND GRADISON

The Commission is fully committed to implementing the Bus Regulatory Reform Act according to its terms and in conformance with its intended purposes. However, it needs to be recognized that the act established as national policy several goals which may not always be consistent with one another, particularly in the short run. This is true in the area of exit policy. While section 5 of Public Law 97-261 indicates that the Commission is to promote competition and efficiency so as, among other objectives, to provide and maintain service to small communities and small shippers and intrastate bus service, that section also declares the need to permit the most productive use of equipment and to enable efficient carriers to earn profits and attract capital. In the case of exit policy there is an obvious tension between these goals. The Commission is given further direction in section 16 of the Bus Reform Act. There the Commission is told to give great weight to whether the service proposed for discontinuance meets the variable costs of providing it. This is not an exclusive consideration, but there is little question that the statute intended a relaxation of exit standards relative to those in place before passage. The theory behind the Bus Reform Act approach is, in the words of the Senate Commerce Committee, that if easier exit were not assured, the congressional policy of providing freer entry would be frustrated, because carriers would be reluctant to enter markets from which they cannot thereafter withdraw. (See Report No. 97-411, at 25-26.) Whether exit by traditional carriers amounts to a long-term loss of service remains to be seen.

With respect to the Virginia Stage Lines, Inc., case involving a bus exit application in West Virginia, the Commission in its September 9, 1983, decision considered all of

the evidence presented and balanced the objectives of the revised National Transportation Policy and denied the exit finding that the service at issue does not constitute an unreasonable burden on interstate commerce. The Commission acknowledged the difficulty in adjudicating the case and stated that it was willing to reexamine the merits of the case if VSL was able to offer evidence which would satisfy the statutory requirements.

On reconsideration, the Commission again looked at the evidence of record and supplementary explanation and motions and, after again abiding by the Bus Act and balancing the somewhat conflicting objectives of the National Transportation Policy, ruled in favor of the exit. The Commission's reasons for the reversal are well documented in the decision decided on March 1, 1984.

In the first and second reviews of this case, the Commission followed the provisions of the Bus Act. Since the first review of the case was under a tight statutory deadline and all parties were dealing with a new and complex provision of the law, certain information was overlooked by the Commission but was discussed and clarified in the second review where parties had more time to more carefully review the evidence.

In summary, after due consideration of all the evidence, in our March decision in the VSL case we weighed the National Transportation Policy goals of promoting competitive and efficient services in order to provide and maintain service to small communities and small shippers and intrastate bus services, and of encouraging sound economic conditions allowing the most productive use of equipment and energy resources, and enabling efficient and well-managed carriers to earn adequate profits, attract capital and maintain fair wages and conditions. In weighing these considerations, we concluded that the public interest required that VSL not be required to continue these unprofitable operations which jeopardize its ability to provide service on other routes. As directed by the statute, we also considered the lack of an offer of subsidy.

SEPARATE EXPRESSION OF CHAIRMAN TAYLOR

As indicated at the hearing, I dissented in the *Virginia Stage Lines* case. The Commission, in its decision of September 9, 1983, noted various discrepancies in VSL's presentation and denied the carrier's petition since there was no basis for a finding that the service constituted an unreasonable burden on interstate commerce.

Where, as here, the passenger carrier failed to make its case before the Commission, its remedy is to refile its application before the appropriate State body. The Commission's rules do not provide for appeals which merely attempt to rectify previously deficient presentations. But that is just what the Commission permitted in this case, despite our rules and despite the fact that the carrier properly refiled its application with the West Virginia Public Service Commission, which had completed hearings and was about to issue a decision.

The provisions of the Bus Act recognize the need for the States to play a meaningful role in the decisional process and the need to assure that the public interest is protected. In light of the discrepancies in VSL's revenue and variable cost evidence and the fact that the discontinuance will leave many cities and counties in West Virginia without public transportation, the best way to combine the various goals of the act, in my view, was to deny VSL's petition to reopen and to await a further decision at the State level.

Subsequently, the majority of the Commission voted to deny a petition for stay. Again, I dissented, and I have now been informed that, on April 13, 1984, Judge Hall (U.S. Court of Appeals for the Fourth Circuit) granted a stay of the Commission's decision, pending judicial review.

ALTERNATIVE FORM OF SERVICE

Senator BYRD. The Commission is surely aware that there is no alternative form of service or any other public transportation in that area. So how can the Commission take the position that it did when there is no service that is being provided to those particular communities and to the shippers, as is the case?

Mr. TAYLOR. Well, the problem is, under the statute, you are correct; it is a real run up hill to prevail on one of these appeals from a State commission decision, or for the community to prevail or the State Public Service Commission to prevail, and not turn the carrier loose.

The way the statute is worded, that is a very, very difficult problem of proof. And because it is so difficult, that is why I felt that we should bend over backwards to be entirely fair in our interpretation of it.

I do not know that I can—I think the best thing to do, if you have serious questions of how and why the others feel as they do and have voted as they have, and in particular on this case, is to simply let them respond to you for the record.

Senator BYRD. Isn't that a hell of a note? The Commission telling us that we should simply let them respond. What are the people down in West Virginia going to do in the meantime who are suffering from lack of service?

Mr. TAYLOR. That is one of the problems with the whole bus experience, because, as you well know, Senator, the people that ride buses are the sick and the old, and the young and the poor, the people that cannot afford any other mode of transportation. And, you know, air carriers serve maybe 700 or so places in this country. Buses serve 14,000 or 15,000. And if that Bus Act simply becomes an excuse to do rural America out of essential intercity bus service, I am sure Congress is going to react, and probably rather quickly.

I think that reform legislation can work. It may need some tinkering and adjustment in due course. There is a bill now to give the States some additional time. I do not know that we have really had enough experience with it yet to suggest specific adjustments here and there.

One thing that may be of some comfort and help—the Greyhound people tell me that as far as they are concerned, the big rash of discontinuances is now behind us. They decided they were going to do all theirs at once, so hopefully we will not see too many more there. I am sure that, sporadically, some will come from time to time, but they went off on a whole campaign the minute this act was passed, to discontinue here, there, and everywhere.

Senator BYRD. That is not going to help my constituents.

SUCCESS OF REFORM ACT

Senator ANDREWS. Senator, I think you put your finger on a very serious thing. The Commission's own report that was issued last January on the intercity bus industry said that the Bus Regulatory Reform Act is working well. Yet, in the report, they said that of 1,294 points that were going to be dropped from service, 1,045 points had no alternative service. Just think, over 1,000 places that will no longer have bus service, and then they think that this whole thing is working well.

Further, Senator, it would seem that the bus deregulation has been successful only for the bus companies, because they have been allowed, willy-nilly, to drop service wherever they wanted to.

One of the traditions of this country—in fact, one of the obligations we have as Members of Congress under the Constitution—I have been in the chair, listening to your recitation of this great body, the Senate, and there are some things we ought to follow through on. The Constitution's commerce clause says that we are responsible for a nationwide system of transportation, and we are just backing away from our responsibilities if we allow this backing away from service that the bus companies and the rest are going ahead with now.

I think you are absolutely correct.

Senator BYRD. I thank the chairman.

I voted against the Bus Deregulation Act, and I urged the President to veto it. I foresaw the great likelihood——

Senator ANDREWS. I voted against it, too.

Senator BYRD. I foresaw the great likelihood that this would happen.

We in West Virginia had gotten our fingers burned as the result of the airline deregulation legislation. I voted wrong on that.

Senator ANDREWS. So did I. I voted wrong on that.

Senator BYRD. I voted for it. And immediately, the carriers began checking out of West Virginia, leaving airports in communities in which those communities had raised local moneys, provided improvements to the airport, and the counties had done the same thing. And the airlines upped their prices. It was a distasteful learning process for me and the people of West Virginia.

And so I voted against this act, the Bus Act, because I felt we would experience the same thing.

I note in your dissent that you make this statement:

> Our regulations governing exit petitions—in other words, 49 CFR 1169.11—expressly provide that an appeal to a Commission decision will only be granted upon a showing of extraordinary circumstance. And without question, an attempt to rectify a previously deficient presentation is not one of the extraordinary circumstances.

What you are saying there, in essence, I think, is that the Commission has ignored the requirements of its own regulations in granting an appeal without a showing of extraordinary circumstance. I take that from what you said in your dissent.

Mr. TAYLOR. That is exactly what I was saying, Senator. By virtue of our own rule, extraordinary circumstances would have had to have been involved in order for this second run around the track to have been authorized or permitted.

So, once again, a rule was ignored in order to accomplish a particular result. As I said before, I think it is just plain wrong.

Senator BYRD. Well, I congratulate you on your dissent.

Mr. TAYLOR. Thank you.

Senator BYRD. Is there any possibility, in your judgment, that the Commission will reverse its reversal?

Mr. TAYLOR. Well, once again, as far as I am concerned, I will look at it when it comes. Let me think this thing through for a second, because the carrier walked two paths. They came to us and they got the relief, which I do not really think they anticipated getting at the Commission

level. But what has happened now is that the West Virginia commission has gone through a whole laborious proceeding on its own, and I think, if I am not mistaken, Ed, that proceeding has been completed, has it not?

Mr. SCHACK. Yes.

Mr. TAYLOR. Now, I would guess that the West Virginia commission is going to go to court on the very issue that I raised in my dissent. I suppose they will. And if they do, and if they prevail and it comes back to us, then with some guidance and direction from the court, why perhaps a different result will come into being.

But if you are asking, just out of the blue, as a result of this questioning or for some other reason, whether or not the Commission is going to turn itself around on this issue, I do not think there is any chance of that at all. But I think the West Virginia commission has got a good shot at it in court, and I would hope they prevail.

Senator BYRD. Well, I hope so, too. What you are saying is that the only recourse is for the court to reverse the decision, and West Virginia may go to Federal court in order to do that.

OFFICE OF SPECIAL COUNSEL

Senator ANDREWS. Senator, might I point out that one of the other strange things of this budget, which we determined had been prepared not by the people here, but by the other Commissioners over in their private "hidey holes" with their private staff—looking at that budget, it eliminates, might I say to the Senator from West Virginia and the Senator from Florida, the Office of Special Counsel. And the Office of Special Counsel, of course, is the group that takes care of the small shippers and the bus passengers and the needs of the small community. And it is difficult to wonder if there is going to be anybody left at the ICC if these people who do not show up at the hearing have their way to eliminate that particular office.

It is ironic that a small office that has the potential of raising a red flag at the big transportation companies is the candidate most likely for disestablishment. I think we are going to have to do quite a bit of looking at this budget when we finally mark up the bills.

Mr. TAYLOR. Could I comment on that matter of the Special Counsel, Mr. Chairman?

Senator ANDREWS. Oh, sure.

Mr. TAYLOR. Because I really feel very, very strongly about that.

Senator ANDREWS. Whom are you going to have replace him, and why are you trying to dump him?

Mr. TAYLOR. Well, they are not. Their proposal, if you have read Commissioner Gradison's statement, is to simply scatter his people throughout the rest of the agency; in effect, not have a single focal point for that office to function.

And, if I might, I would even like to ask Mr. Schack to comment on that. He is the Special Counsel, and that is essentially why he is here. And what his office has done in the last year or so has been, I think,

more productive and meaningful in terms of developing some important records—that is what the Commission has to look at when we decide these cases. He has been out in the abandonment areas and also in these bus exit cases, helping the State public service commissions, helping the local communities, helping protestant shippers and others who want to get on the record in an abandonment proceeding or in one of these bus exit cases or in a rate appeal, and telling them how to do it, because it is not all that easy and many of them have not dealt with the Commission before.

Senator ANDREWS. Mr. Chairman, this is the first time you have said productive and helpful about any group within that Commission. And this group that is productive and helpful to the small shipper and the small community is the one that wants to be—that seems to be being wiped out by this gang of three that do not show their faces.

Mr. TAYLOR. Well, they have voted to do that, and I really would like, if you would permit him to do so, and he has some letters to introduce. Let's just let him do it himself.

Senator ANDREWS. Well, I am imposing on the Senator from West Virginia's time, but I think he is as interested as I am in it.

Senator BYRD. I surely am. Go ahead.

FUNCTIONS OF OFFICE OF GENERAL COUNSEL

Mr. SCHACK. Mr. Chairman, in the past year the Office of Special Counsel has concentrated really on two main areas. One is the bus area and the other is in the rail abandonment area.

In the bus area, the States and communities were faced for the first time with Federal preemption, so our first job is to try to educate the people who are being affected. Along with several offices at the ICC, we conducted 11 educational seminars around the country. We have also put out two booklets defining the new Bus Act. One is a "how to participate book," and the second one really defines variable costs and other economic issues.

Both of those booklets have been updated on a regular basis, and have been revised to reflect the current Commission and court decisions.

There have been 58 appeals so far under the Bus Act. There have been 30 in rate cases and 28 in discontinuance cases. In the rail abandonment area, there are currently 70 rail abandonment proceedings pending at the agency. Six of them are very controversial and have had oral hearings. In all of those six oral hearings, the Office of Special Counsel has actually gone out to the site of the proposed abandonment, has conducted town meetings at night in the communities, again to educate the people who are being affected, and then suggested lines of being effective at the actual ICC hearings, advising what the law is and how to participate in that process.

Senator BYRD. Mr. Chairman?

Senator ANDREWS. Yes.

SUGGESTION ON BUDGET CUT

Senator BYRD. I would hope that we would require the other Commissioners to come to the next hearing. I do not know when that will be, but they ought to be present. And in the meantime, I suggest that we cut the budget for the Commission. We may want to specifically cut the budget for the Commissioners who never show up for a meeting. Cut the budget for them. That will get their attention.

I would like to hear the chairman's reaction to that.

Senator ANDREWS. My reaction?

Senator BYRD. Yes.

Senator ANDREWS. Boy, I will be right with you, Senator. I think that that is one of the great things, being a relatively new chairman over at the Senate, having oldtimers like you who recognize a real ant hill when we kick it over. And I think we can solve a lot of the problems in the ICC.

I mentioned before you came, Senator, that it would appear to me that we should put a cap on the number of Commissioners, talked that over with the chairman of the Legislative Committee. He is conducive to that. I think we ought to spell out where this funding is going within the Commission, and I think in response to the testimony today, I think we ought to make sure that we have an across-the-board cut. I would think that we can probably get 20 to 25 percent out of this budget very easily, based on that fact that they are doing less than they ever did before, and they are doing that poorly.

So, given that kind of record, I think that this money, given our budgetary cap, could better go to highways in North Dakota and Florida, and maybe occasionally in West Virginia.

Senator BYRD. Well, Mr. Chairman, you have always been at least one of my favorite chairmen, if not my favorite. And as long as your party is in control of the Senate, I have confidence that you will do the right thing, and will ask the right questions.

I have noted that you do not hesitate to ask questions of the people in the administration, your own party. You are fair, and you do not discriminate.

I want to join with you in taking the action to cut this budget. If you and I and Senator Chiles did not show up for Senate votes over a period of 17 months, I have a feeling that our constituencies would cut our salary and our budget. And I do not think we would allow our Members to vote by telephone. I am sure we would not.

Senator Chiles wants to say something. I yield.

Senator ANDREWS. As you know, Senator, the only way we can do anything on the subcommittee is with a majority of the Senators doing it. And, of course, I will be guided by what the majority of the members want to do. But there are four Senators here today, and every one has expressed their shock and displeasure at how this thing is going.

Senator BYRD. Well, Mr. Chairman, I yield, too. I yield the floor. I simply want to thank the Chairman for having the courage to come

before the committee by himself, and I would hope that he would have the company of the others at any time he would reappear before this committee.

Senator ANDREWS. Thank you, Senator.

Senator Chiles?

CONCERNS OF SENATOR CHILES

Senator CHILES. Mr. Chairman, I thank you for allowing me to have an opportunity to participate in this.

I was in another committee and I left when I heard the testimony down here was that the Commission had not held a public hearing since October 1982. I missed that.

I wonder if you could tell me, Mr. Chairman, why there has not been a public meeting of all the Commissioners since that time? I wonder if you could tell me why that has happened?

Mr. TAYLOR. Well, Senator, let me explain again. The ICC has not for many, many years operated as some of the other independent agencies do, on the basis of having a regularly scheduled meeting once a month, once a week——

Senator CHILES. How many years does that go back?

Mr. TAYLOR. I came on board in June 1981, and they were not doing them before that. I do not know that—let me ask some of the oldtimers here who have been around the place for a good long time.

Mr. Foley, do you know when the last time is they sat down in public and had regular meetings to decide things? It is not in recent memory, as far as I am concerned.

Mr. FOLEY. My best recollection of the Commission holding conferences on a regular basis goes back into the late 1970's.

Senator CHILES. Goes back into the late 1970's that they stopped meeting?

Mr. TAYLOR. Well, understand that it is not that we do not meet. We talk to each other. We see each other in the building, we see each other on social occasions. We all have telephones on our desks. They pipe into the other Commissioners' offices. The staffs talk. But we have not had regularly scheduled deliberative sessions.

If we have any kind of a meeting and it is properly noticed and so on, all of hearing room A fills up with every single railroad and bus company and ATA and lobbyist, press, whatever. There are 300 people out there, sitting, looking, watching everything that is going on. That does not bother me. I do not mind doing that. But you do not get, as I tried to explain to the chairman earlier, the kind of meaningful input on a policy discussion in that kind of an arena with Commissioners who are not used to doing all those sorts of things in public.

And I do not know whether that is the reason it has not——

Senator CHILES. Don't you understand that this Government belongs to the public, and don't the Commissioners understand that?

Mr. TAYLOR. I do.

SUNSHINE ACT

Senator CHILES. It isn't the way they ran their business before. Don't they understand the law of this land now says that those meetings will be held in public, where the public gets a chance to see and hear. In addition to all those ATA, lobbyists, or others, there might be a couple of individuals from the public who are interested, too, and the press would then be able to report on what happened.

Mr. TAYLOR. Senator, I do not have any problem with that at all. None whatsoever. But that has not been the mode.

If it is what Congress desires, that the Commission have regularly scheduled deliberative sessions, I would be happy to do it that way.

Senator CHILES. Congress has expressed that desire in a law called the Sunshine Act, and it requires that those collegial agencies that are appointed by the President to make collective decisions will hold public meetings.

Mr. TAYLOR. If you have a public deliberative meeting, you have it in the Sunshine, and there is nothing wrong with that. And we always comply with it.

Senator CHILES. But let me tell you this. There is all kinds of history in the record of that act about the sort of premeeting meetings, or trying to make these decisions other than in the open. And, of course, we tried to allow some kind of leeway, but to thwart the whole system, and to say that you are going to do everything over the telephone or otherwise, I think directly contravenes the act.

I think that a bus company or someone else could take you to court; could knock down decisions you have made on the basis of those kinds of meetings. I am not sure that your actions are legal. I do not think they are, if they are handled in that manner they certainly violate the spirit of the act.

Mr. TAYLOR. Well, it has been going on for a good long time, Senator, and it was not really to avoid the Sunshine Act.

Senator CHILES. Well, let me tell you, and you tell those Commissioners, it is going to stop.

Mr. TAYLOR. OK.

Senator CHILES. It is going to stop?

Mr. TAYLOR. I would be delighted to have regular sessions. I think it would improve things substantially. And if that is what Congress wants and that is the sense of this committee, that will be of substantial help in getting it on. I would be delighted.

AUTHORITY OF THE CHAIRMAN

Senator BYRD. Senator Chiles, let me ask a question.

Does the Chairman have the authority and the responsibility to call the other Commissioners in to meetings?

Mr. TAYLOR. I can call a public meeting if I want to do that. I must say, the other Commissioners are not all that anxious to go down and discuss all these things in front of everybody. But I have the authority to do that.

We have to, of course, comply with the law and properly notice it to do it. As I indicated earlier, we are going to have an enforcement conference, and we are not going to do it privately, because there are certain exceptions to the Sunshine Act, areas where you can meet in the enforcement area. And we are not even going to do that this time around. We tried that before.

So we are going to have an enforcement conference, probably in June. We also have a number of oral arguments scheduled. We have one in the Milwaukee case in July. The dates have already been selected for those, and they will be calendared and set.

But if you are talking about having regular meetings on a weekly or monthly basis, deliberative sessions——

ICC MEETING PROCESS

Senator CHILES. Well, now, can't you refuse to make a decision, or vote on a matter, unless they come to a meeting, unless there is discussion? You are the Chairman, aren't you?

Mr. TAYLOR. No; we have adopted a system of voting by notation. That is the way the Commission does its business. Rightly or wrongly, when the Commission votes on matters, they are circulated, as I pointed out before, to the other Commissioners' offices. Their staffs review them. Their staffs talk to the other Commissioners' staffs. They meet with the Commissioners about how they feel, and their vote is then recorded in writing.

Senator ANDREWS. And Senator, the Chairman pointed out when you were in your other hearing, that they are very careful to ascertain that the voice voting over the telephone is the voice of the actual Commissioner.

Mr. TAYLOR. That is in the event it is an absentee vote.

Senator ANDREWS. Now, Mr. Chairman, one very short question that this has brought up. Have you ever called a meeting since you have been Chairman, and the other Commissioners did not come?

Mr. TAYLOR. No; but they have that right if they do not want to come. That is one of the problems.

Senator ANDREWS. Well, I know that.

Mr. TAYLOR. I can call a meeting, and I can also be the only one there.

Senator ANDREWS. Have you called a meeting and they have not come?

Mr. TAYLOR. I have not called a meeting and had them refuse to come. No; that has not occurred.

Senator ANDREWS. OK. Any time you have called a meeting, they have come.

Mr. TAYLOR. But we have not had that many, because the system of voting is by notation, and there was not any point in having a budget session this year.

Senator ANDREWS. Well, in the redecorated, private little "hidey holes" that they hold forth in, I suppose they do not want to come into the overall Commission room.

Senator BYRD. Mr. Chairman, I have been on this Hill now for 32 years. This is the most amazing revelation. And I compliment the Chairman on his equanimity in coming before this committee and laying out the revelations that we have heard here. It is the most amazing revelation that I have heard since I was able to get Pat Grey to admit that John Dean may have lied.

And I would say that his fellow Commissioners ought to take him out to dinner for having the courage at least to come before the committee and shield the others from the music which he has had to face.

Senator CHILES. Well, I certainly want to reiterate the request that was made by the minority leader, the Senator from West Virginia, that we hold a hearing, and that we do invite the other Commissioners and give them an opportunity. If that needs to be by subpoena, I would be happy to even suggest that, to allow them to hear our feelings on this subject as well.

Senator ANDREWS. Well, we certainly might consider it. By that time, we will find out how much they may have spent to redecorate their private offices, and we can find out the level of activity, and why they want to do away with the Special Counsel who does protect small towns and small shippers, and we might, since they are the ones that issue these rulings that I questioned the Chairman on a while ago, they might give us the answers as to how these things are going to function which we cannot seem to get.

Senator CHILES. I cannot understand why they need an office. A telephone is all they seem to need to carry out their duties.

Senator ANDREWS. No; they have to have a number of people in the building to tell that it is them calling back and voting. That was established. Particularly if they are a long way away and the telephone connection is not too good.

Senator CHILES. Mr. Chairman, I have a number of general questions. I will submit those for the record. I will have some other questions, too, which I hope will get to the bottom of this.

When the phone voting started, did that happen to start at the time the Sunshine Act went into effect?

Mr. TAYLOR. Let me make it clear that the only time any voting goes on by telephone is if it is absentee voting. And we do not have very much of that. I have to be totally fair about this thing.

Most all of the votes—I would guess about 99 percent—and we can develop some statistics and numbers on this if you would like it for the record, we would be happy to do that—is done by notation voting.

Senator CHILES. Notation. But it is still not done in a public meeting.

Mr. TAYLOR. But it is not in a public meeting. You are correct. It is not in an around-the-table discussion.

ROLE OF THE PUBLIC

Senator CHILES. Does the public ever get an opportunity to come and discuss these matters that you are getting ready to vote on? Do they ever get a chance to look you and the other Commissioners in the eye and say this is what concerns us?

Mr. TAYLOR. Yes; at oral argument which is held on important matters. And we have a number of them coming down the pipeline here very quickly—we have the Milwaukee case, for example. We are going to have, though probably not this year, the Southern Pacific-Santa Fe merger proposition. We have the CSX Barge Line case, which is a terribly important conceptual matter as far as the Commission is concerned.

The opportunity that we have to have some interface with the public which I very much enjoy and think is terribly valuable, is to have an oral argument. And we cannot talk about those cases, because it is ex parte, individually, in our offices, with the representatives of the people that are contesting the proceeding and have a particular position in them.

So, through the medium of oral argument, we can sit there in the hearing room and we can, in effect, have a dialog back and forth with those who are involved in both sides of the issues, and I think those are extremely valuable.

We have a bunch of them coming in June and July, and that is the opportunity that really is afforded for people to see the Commission sitting as a group.

Now, in terms of sitting for deliberative sessions, substituting at least perhaps on more important matters, face-to-face voting in lieu of notation voting, that, as I indicated, would be a substantial change from Commission practice since—I think as Mr. Foley has indicated—the late 1970's.

I would not mind that procedure, and if that is something Congress would like to see the Commission do, I do not have any problem trying to implement that. I hope the Commissioners will come. We have not had that many chances to find out whether they will turn us down or not. But just because I call a meeting, they are not obliged to attend. I think that is important to point out.

COLLEGIAL DISCUSSIONS

Senator CHILES. Well, let me ask you this. In this notation voting that you have, when do you have an opportunity to have a collegial discussion of the matter or the issue before you, to go back and forth and to say wait a minute, I don't think that idea is valid because of this? Obviously, that is the reason that we have got a five-member board or a seven-member Commission.

That is the way we try to work around here when we have a markup. It is the way a city commission meets. It is the way anybody, any collegial group that is making a decision—do you not have that?

Mr. TAYLOR. We really do not. I served for 4 years in the Nevada Public Service Commission, and that is the way we used to behave. And we finally got a Sunshine law out there, and we all used to have public meetings.

Senator CHILES. Yes; I know you used to do that in the back room. I have participated in some of those before, too, that were done in the

back room. And at one time I felt that that could not be done in the public for all of these reasons that you hear that the lobbyists are going to hound us, or that we will not be able to make these decisions.

I finally decided that was a bunch of bunk.

Mr. TAYLOR. Well, we had that experience in Nevada. A Sunshine law was adopted. It used to be a lot easier to get into the conference room and pound the table, and when we finally had to do it on a regular basis—I don't know whether it was Monday afternoon or whatever at 2 o'clock—why some of the four-letter words disappeared. The conversation got cleaned up a little bit. But it worked very well. We had just as good discussions out in the open afterwards.

So I do not have any problem with doing that at all. That simply has not been Commission practice, and whether it is druthers or desires of my colleagues, I do not know. But if you feel strongly enough that that is, in effect, the way the Commission should address and decide some of the important issues that are in front of us, as I indicated, I have no difficulty with doing that at all.

And I would be glad to try and convene those meetings and hopefully the colleagues will come.

Senator CHILES. Well, thank you, Mr. Chairman.

RAILROAD CONTRACT RATES

Senator ANDREWS. Thank you, Senator.

Mr. Chairman, let me say—and I think this expresses the feeling of the subcommittee, certainly those of us who have listened to this astounding story—that the particular concern of the committee toward the way you have not been having meetings, toward the crazy-quilt pattern of going in four different directions or as many different directions as there are Commissioners, deeply concerns us because the rulings that you have been making this way—not you, Mr. Chairman, but the other three that do not show up—the rulings that have been made have shown a consistent pattern against small towns, against branchlines, against captive shippers, and in favor of the big guys.

And if there was anything that the Sunshine law was meant to protect against, it is that kind of backroom wheeling-dealing.

I asked you some specific questions about a couple of your ex parte rulings, and, in effect, the answer I got from you, which I will share with my good friend, the Senator from Florida, was that well, we do not really know what recourse the little guys are going to have under that ruling, but maybe we are going to have to modify it by law, maybe we are going to have to do something else.

In other words, not only do you have sloppy practice, but you are getting sloppy rulings. You do not know how they are going to work, but you have a strong feeling that they are not going to work to the benefit of the little guy. And the Special Counsel that protects the small towns and the little guy is the one that is being hatcheted by the budget that is submitted. And we find out it is not your budget, Mr. Chairman, but it is the budget of the gang of three that do not have guts enough to

come defend it, and they are the ones that make these actions that lead us to believe that we can sure save some money in this whole thing, and probably help out the general transportation picture.

Let me ask a couple of other questions, and then I have a group of questions I want to ask for the record. But this has to do with contract rates. Maybe it will again show another pattern.

CONTRACT RATES

You had a March 13 report on railroad contract rates. And in summary, can you tell us how many contract rates are currently in effect?

Mr. TAYLOR. I think there are somewhere over 13,000.

Mr. SOUTHARD. Mr. Chairman, I have the figure.

Mr. TAYLOR. You have the latest figures?

Mr. SOUTHARD. The figure as of March 30 was 14,020.

Senator ANDREWS. What percent of rail traffic does this represent?

Mr. TAYLOR. It is about 25 percent now, is that right—26 percent, somewhere in there?

Mr. SOUTHARD. We tried to develop that question in our study, and I think it is about 25 to 26 percent.

Senator ANDREWS. OK. Are certain carriers or commodities more likely to be covered by contract?

Mr. SOUTHARD. Yes, sir. I can——

Senator ANDREWS. Which ones?

Mr. TAYLOR. The Chicago & Northwestern has more contracts than anybody else.

Senator ANDREWS. Which commodities?

Mr. TAYLOR. I think we have a list of those on page 8 of the report, and that shows the carriers and their number of contracts, and then right above it the commodity groupings. Bulk products, chemicals, minerals, looks like it is 24.6 percent; forest products, lumber, and paper, 18; grain and grain products, 14; foodstuffs, 12.9; iron and steel, metal scrap, 11.2; coal is 4.4, but of course you have to take into account in that percentage the fact that export coal is exempt.

Senator ANDREWS. In particular, the study was to address the impact of contract rates on the grain industry. Have contract rates benefited grain shippers?

Mr. TAYLOR. Bill got all the responses and conducted the survey that was done to put this report together. And I think the answer, the bottom line to that is that the grain shippers were kind of a mixed bag in terms of their feeling about contracts.

I went out and did a hearing with Senator Kassebaum in Kansas, and I think they feel they have some special protections under the act; that because of the lack of information that is made available, they are not really able to do a great deal about, and that in turn has led to some legislation on the Hill. In fact, I think Senator Kassebaum is sponsoring a bill to make contract information more available so that they can really tell whether or not they are being subjected to discrimination or unfair competition.

Senator ANDREWS. You cannot say whether or not they have benefited grain shippers? The larger group is forest products, lumber, and paper. Have contract rates benefited that group?

Mr. TAYLOR. Well, the only group that really felt they had not had any benefit at all from rail contracts were the utilities. And I think they were the most negative.

For a more specific analysis of how the grain shippers responded, I think Bill Southard is better able to answer that than I am.

Mr. SOUTHARD. Senator, we got—as the Chairman indicated—a mixed response from the grain industry as well as some other industries. In order to accomplish this study in a reasonable time period, we limited the questionnaire to trade associations or industry associations, hoping that they would contact their members, and by and large most of them did.

But the response from the grain industry trade association contacted was basically mixed. And some individual grain firms responded. One very large one said things were all right. A group of grain transportation consultants from the Pacific Northwest were not pleased at all.

So we went on to review some individual contracts, but we did not put the details in here because of the confidentiality requirements. But we looked at——

Senator ANDREWS. I know you do not put the details out because of confidentiality requirements; you do not have meetings because you do not want to meet in Sunshine. This is one of your latest actions, and you cannot tell us, you know, whether the grain industry likes it really or not. You cannot tell us whether the other—the bulk products, chemicals, and minerals, which have the largest number of contract rates—do they like it?

Mr. SOUTHARD. I believe they do, sir. Overall, they do.

Senator ANDREWS. Well, then, let me ask this one. Have contract rates resulted in decreased rates?

Mr. SOUTHARD. For the most part, that is the case. But now, you have to keep in mind that since the contract rate provision has been in effect, the shippers have been in a buyer's market.

CAPTIVE SHIPPERS

Senator ANDREWS. Have contract rates benefited captive shippers? This is an outstanding example of the little guy. It might not be the little guy, but they are sure at mercy because they are back at the end of that line, they do not have any alternative, and that is what we used to have an ICC for, to protect those people that had no alternative.

Have contract rates benefited captive shippers?

Mr. SOUTHARD. Senator, it is clear that the key to getting a contract with the railroad is to have competitive alternatives and profitable traffic.

Senator ANDREWS. That is right. That is why I say, have they benefited captive shippers?

Mr. SOUTHARD. We did not get the indication that they had.

Senator ANDREWS. In other words, they have not.

Would it be fair to say that contract rates have benefited the class I railroads with shortline railroads actually losing traffic?

Mr. SOUTHARD. The shortline railroads reported some loss of traffic. Others reported they were pleased with contracting.

Mr. TAYLOR. But I think in fairness to the shortlines, they feel that the right to contract is one of the important things they got out of the Staggers Act. They are very supportive of the ability to contract, and they feel very strongly about it.

Senator ANDREWS. And you think that it is helping the shortline railroads?

Mr. TAYLOR. They think it is helping them. At least that is what they tell me.

Senator ANDREWS. That is not what we have been told. Why don't you provide for the record the individuals or the groups and what they have said, and what kind of documentation you can give to your claim that contract rates have benefited shortline railroads?

Mr. TAYLOR. The ability to contract is what they say. The ability to contract under Staggers has been a beneficial development for the shortlines.

[The information follows:]

SHORTLINES BENEFITING FROM CONTRACTING

In doing our report on contract rates, the following shortlines responded to our questionnaires and/or were interviewed by Commission staff:

Central Vermont Railway, Inc.
Dakota Rail, Inc.
Eastern Shore Railroad
Iowa Railroad Co.
Kyle Railroad Co.
Lamoille Valley Railroad Co.
LaSalle & Bureau County Railroad Co.
Modesto & Empire Traction Co.
Roscoe, Snyder & Pacific Railway Co.
Seattle & North Coast Railroad Co.
Stockton Terminal & Eastern Railroad

All but one of these carriers cited various benefits from contracting which included:

—Guaranteed carloads/volume
—Confidentiality
—Immediate pricing and rate actions
—Long range planning ability
—Ability to more effectively compete
—Ability to meet shippers' individual needs
—Uniformity and ease of billing
—More efficient rail service
—Tailor-made distribution arrangements

While the majority of these carriers noted benefits from contracting, nine also reported the loss of traffic because of the contract activity of other railroads. Several reported, however, that they had gained more traffic than they had lost through contracting. Only two of the above carriers voiced the opinion that contracting was detrimental. One carrier attributed its loss of traffic and revenue to *all* aspects of deregulation including contract rates. In our report, the discussion on shortlines reflects the views of only these aforementioned carriers.

Senator ANDREWS. Again, Mr. Chairman, every time we touch one of these rulings or one of these reports, we come in with an interesting mixed bag.

I think we have probably gone as far as we actually need to in the oral questioning. Depending on what other Senators wish to do, we will look toward the possibility of having the other members of the Commission in. I do not really know about having the other members of the Commission. Maybe it is worthwhile. If you see them in the next month or two, you might ask them if they would be interested in a rebuttal. I think we pretty well know what we are going to do, absent any more information from them.

Mr. TAYLOR. Mr. Chairman, before you recess, could I just quickly do two things?

There is a chart that I would like to have made part of the record, because as I indicated in my direct testimony, I do not agree with the recommendation of my three colleagues insofar as the budget is concerned.

Senator ANDREWS. We will put this chart in, Mr. Chairman, immediately after your initial presentation.

Mr. TAYLOR. And I would like that to be of record.

And the only thing I would like to point out is that this vacant Commissioner money that we have talked about so many times this morning is not spent; it is returned to the Treasury. And I think that should be made a matter of record.

Senator ANDREWS. That is right. The Commissioners' money that is not spent is returned, but you also told us that they are spending at the rate of—in the neighborhood of $540,000 per Commissioner.

Mr. TAYLOR. That is what it costs for an office and——

Senator ANDREWS. And what you are asking for is $1¼ million per Commissioner, based on the four that are there now. So you are asking to double what they are actually spending, but the determination we made of the actual spending still exceeds by fourfold other commissioners on similar agencies. And we have not gotten the answers for redecorating offices and all the other things.

Mr. TAYLOR. That is all correct, but I just wanted to make it clear for the record that that money is not just spent by the Commission. It winds up getting returned. What has been appropriated for those vacant offices, that is not actually used because we do not have the Commissioners on board, is not spent; it is returned.

Senator ANDREWS. That is true. And the problem is that when we are trading off other sectors of transportation in an overall budget pattern that has a cap on it, when we look at an agency that has a performance record that yours has, this is certainly a place where we can make, I would think, considerable savings. And I think if it is the feeling of the rest of the subcommittee, it gives us a rather unique opportunity.

SUBMITTED QUESTIONS

I have a number of questions that we will prepare to be answered for the record. We also have questions for the record from Senator Kasten, Senator Burdick, and Senator Chiles. There may well be other questions that we will send on in the usual procedure.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

GENERAL ADMINISTRATION

SENATOR ANDREWS: If new Commissioners were named, would we see a budget supplemental request to fund their retinue? And how much would that be for?

ANSWER: If new Commissioners are named in either fiscal year 1984 or fiscal year 1985 there would be no supplemental request to fund their offices.

The Omnibus Budget Reconciliation Act of 1982, P.L. 97-253, amended the Interstate Commerce Act, Title 49, Section 10301 (b), reducing the number of Commission members to seven. Under OMB Circular No. A-11, Preparation and Submission of Budget Estimates, Secton 13.2, we are required to project budget costs on the authorized level of seven members.

The fiscal year 1985 budget projects a cost for Commissioners and their Offices of $4,976,000. Approximately $3,500,000 of this is for seven Commissioners and direct staff. The remaining $1,500,000 is the projected cost for five "satellite" offices which report to the Chairman: the Small Business Assistance Office; the Office of Legislative Counsel; the Office of Governmental Affairs; the Office of Public Affairs; and the Equal Employment Opportunity Office. The budget provides funding for a total of 85 staff-years for all of these offices: 58 staff-years for Commissioners and their immediate staffs and 27 staff-years for "satellite" offices.

SENATOR ANDREWS: Mr. Chairman, could you explain the rationale used in awarding bonuses to the two top officials of the enforcement branch? --The same enforcement branch that was so strongly criticized at the recent House hearings.

ANSWER: The two top officials referred to are Warren McFarland, Director of the Office of Compliance and Consumer Assistance, and Bernard Gaillard, the Associate Director of that office. They were among 10 of our senior executives to whom I recently awarded bonuses in recognition of outstanding performance in fiscal year 1983. It is clear to me that any criticisms of our Enforcement Program are directed toward the policies established by the Commission rather than the performance of individual members of our staff. These two officials have worked hard and persistently at the implementation and execution of the Commission's enforcement program. They carry out, without exception, the official expression of the Commission's guidance regarding enforcement policy, goals, and objectives. The dedication, leadership, and overall performance of Director McFarland and Associate Director Gaillard clearly warrant the bonuses I gave them.

SENATOR ANDREWS: How many performance bonuses were handed out during calendar year or fiscal year 1983? What was the total amount of those bonuses? How many performance bonuses were handed out or are scheduled for 1984? And what is the estimated total amount of those bonuses?

ANSWER: As Chairman of the Commission, I awarded bonuses to 10 of our senior executives for their outstanding performance in FY 1983. The total amount of those performance awards was

$56,702.10, a figure which is below the Office of Personnel Management's (OPM) limit: 3% of the aggregate salaries of the agency's career senior executives.

Since these awards are based on demonstrated ability over a period of at least 12 months, no bonuses have been awarded yet for any senior executive's performance in 1984. I will determine what to do about FY 1984's performance bonuses in November or December of this year.

I cannot now provide a precise estimate of the total amounts for any 1984 bonuses that might ultimately be awarded, but I would not expect the total amount of such awards to be much larger than 1983's total because of the OPM restriction. Actually, any increase in the total bonus amount would be the result of the January 1984 pay raise.

ICC ENFORCEMENT ACTIVITY

SENATOR ANDREWS: The GAO report will be officially out in about a month. Will you have your responses included in that report?

ANSWER: Under usual procedures, GAO would submit its report to the Commission for comment, and our comments would then be incorporated in the report. In this instance, however, GAO conducted its review of the ICC's enforcement program at the request of the Subcommittee on Transportation of the House Committee on Appropriations, whose Chairman, Congressman Lehman, instructed GAO not to seek comments prior to presenting its testimony to the Subcommittee. Accordingly, it is our understanding that GAO intends to release its report, based on the testimony presented on February 22, 1984, without obtaining or incorporating agency comments. When that report is released, however, we will submit a response in accordance with the provisions of 31 U.S.C. 720, which require a written statement by the head of the agency in connection with any GAO report containing recommendations.

SENATOR ANDREWS: Who sets the goals and priorities for the Enforcement Program? Please elaborate. Should this be a staff function or the Commissioners' decision?

ANSWER: The goals and priorities for the Commission's Enforcement Program are established by the Commission in two ways. Most significantly, policy signals are given to the staff from the Commission's handling of its docket, both adjudications and rulemakings. Secondly, direct communications are given to enforcement staff through memoranda and Commission conferences. The setting of enforcement goals and priorities should be a Commission function and not that of the staff.

Separate Expression of Chairman Taylor

The goals and priorities for the Commission's Enforcement Program are established by the Commission and implemented largely by the Office of Compliance and Consumer Assistance. The goal of the Enforcement Program is not enforcement for enforcement's sake but to assure compliance with the laws and regulations which the Congress has determined should remain in place after the passage of the various regulatory reform laws in 1980 and 1982.

There are three Commission activities which assist in obtaining a reasonable level of compliance. These are Complaints, Carrier and Rate Bureau Monitoring, and Enforcement. Each of these is closely related to the other.

The receipt and handling of complaints not only provides insight to the Commission and its staff as to the nature of problems and non-compliance prevalent in the industry, but also provides assistance to those members of the public who are not familiar with the intricacies of the transportation industry.

Carrier and Rate Bureau monitoring serves to assist in obtaining compliance. It is also the basic method by which Commission staff members obtain the operational information needed by the Commission in its deliberations. Most carriers have an inherent willingness to comply with the laws and the regulations. That willingness has been nurtured by the Commission's compliance monitoring procedures and the realization by carriers that they are subject to such monitoring.

Enforcement is the ultimate assurance of compliance. Because of its importance in the process, enforcement goals and priorities should be established by the entire Commission and communicated to the staff by the Chairman, rather than through memoranda from one or more individual Commissioners.

SENATOR ANDREWS: How do you monitor the effectiveness of the enforcement program? What data is collected? How is the collected data used? Is all the data collected used? Is there any extraneous data collected?

ANSWER: The method used to assess the effectiveness of the program is interwoven in the total management structure and depends on continuous oversight and evaluation. Evaluation starts in each of the six regions, where supervisors of the compliance and enforcement programs are responsible for their individual programs, following policy and program directives issued by the Director of the Office of Compliance and Consumer Assistance. The Regional Director, as head of a region and reporting to the Director, has overall responsibility for the effective use of the staff resources, program direction, and program accomplishments. At headquarters there are separate sections for compliance and enforcement, each with the primary responsibility of overseeing and monitoring regional work activities. The monitoring procedures include: frequent dialogue with the field program managers; the offering of advice and the rendering of assistance; and reviewing the merits of each proposed enforcement action. Computer data systems are used to gather statistical data which are used as indicators of enforcement effectiveness. Monitoring also includes receipt of weekly activity reports and comprehensive quarterly performance reports from the regions to evaluate the progress of all program activities and the use of staff resources.

Further, on at least an annual basis, headquarters conducts a detailed review of each region. This review includes the use of staff resources, the scheduling and results of all work activity, and compliance with headquarters policy and instructions. The information developed enables headquarters to compare and evaluate the effectiveness of each region, and, collectively, all regions against program objectives of the office. The Director, using information from all these oversight and monitoring functions, is in a position to manage and direct the staff continuously, including making any adjustments in program objectives needed to assure an effective program.

A computerized data information system, standing alone, is not sufficient to evaluate the effectiveness of a program. The data must be considered by knowledgeable and experienced managers, in light of current guidance received from the Congress and the Commission, in order to fully evaluate the effectiveness of the enforcement program.

The Commission does not collect any data from the industry as to the effectiveness of its enforcement activities. Instead, it relies on data generated in tracking the progress of enforcement cases and upon information coming routinely to its attention through the complaint and compliance monitoring programs. We do not believe that extraneous data is collected.

SENATOR ANDREWS: Could you share with the Committee some successes achieved by the enforcement effort? Were all your resources expended to achieve these successes? What percent of your resources do you estimate were expended for naught? (i.e., did not result in what you consider satisfactory conclusion.)

ANSWER: Historically, the transportation industry has had a very high level of compliance with the laws and regulations under which they were operating. That high level of compliance has been brought about largely by the persuasive presence of an effective enforcement program.

In fiscal year 1983, the Commission used 145 staff-years, or 11 percent of its staff resources, in achieving the above cited successes. This represents 100 percent of the resources allocated to the enforcement program.

None of these resources were expended for naught. While it is not possible to "win" every case brought, it is not necessary to win each case in order to achieve useful or satisfactory results. The objective of the enforcement program is to ensure compliance with applicable laws and regulations. Even when prosecution actions themselves are unsuccessful, the specific violations are curtailed, and, thus, compliance is achieved.

In FY 1983, of all the enforcement cases concluded by the Commission, 276 resulted in convictions, fines, civil forfeiture penalties, injunctions, consent agreements, or referrals to the Department of Justice. However, success cannot be measured only in terms of the number of cases prosecuted nor by the number of successful prosecutions, since the Commission's policy in the enforcement program is to exercise every effort to obtain voluntary compliance before resorting to formal enforcement actions. That type of effort appears to have been successful in the period since the policy was initiated.

In addition, the Commission's insurance compliance/ enforcement program illustrates the effectiveness of the voluntary compliance approach. By statute, 49 U.S.C. 10927, each motor carrier, freight forwarder and property broker is required to have on file with the Commission evidence of having the proper level of insurance coverage. Of the approximately 30,000 carriers, freight forwarders, and brokers required to make such filings, 5,049 of these allowed their insurance coverage to lapse during FY 1983, presenting the general public with the potential inability to recover damages. The Commission's staff sent letters to 9,666 carriers and followed up by contacting all carriers who did not come into compliance upon receipt of the initial letter. Only after these efforts did not persuade the carrier to come into compliance did the staff begin formal enforcement actions. These

actions resulted in 49 litigative actions, 322 voluntary revocation requests from carriers, and actual revocation, on an involuntary basis, of the authority of 205 carriers.

The manner in which the enforcement staff addresses lumping will also illustrate the effectiveness of our enforcement effort. The lumping statute was passed in 1980 to address a serious problem in the transportation industry. After the passage of the statute, lumping activity dropped, as a result of the wide publicity the statute received within the industry (in large measure because of our efforts). Thus, there is no doubt that the existence of the law itself has had a deterrent effect on this type of activity.

In late 1981, emphasis of the enforcement staff changed from bringing criminal actions to bringing injunction and civil forfeiture cases, remedies over which we can maintain more control. The use of the injunction remedy is significant, inasmuch as it permits us to stop the facility, rather than the individual, from engaging in lumping practices. Consequently, in the past 18 months, four cases resulted in injunction actions; two more should be settled shortly by civil forfeiture actions. These figures do not reflect the cases which are still being settled administratively. In the latter category of cases, we have been able, on occasion, to obtain greater compliance informally than through court enforcement efforts. For example, we were able to get one consignee/shipper to cease the practice and to post signs advising drivers of their right to unload the trucks themselves.

In several instances involving other types of violations where voluntary compliance could not be obtained, it was necessary to take formal enforcement actions. Some of the more significant cases are summarized as follows:

During FY 1983, 12 cases which are still pending were referred to the Department of Justice. Three involved kickbacks, two involved fraud, three involved rebates, one involved falsification of records, one involved extortion, one involved weight bumping and one involved enforcement of a subpoena.

In FY 1983, Charles Gillen, a carrier official, was found guilty of misappropriation of carrier's assets, 18 U.S.C. 660.

Kenneth Bevry, a broker-official, was found guilty of criminal contempt involving the unlawful brokerage of transportation. He was sentenced to 30 days' imprisonment and a $5,000 fine.

Richard Winiewicz and Paul J. Selaski pled guilty to one count each of making a false statement to an ICC investigator during an investigation of alleged extortion and kickbacks in the motor carrier industry. Each was fined $1,000 and placed on probation for one year. In the same case, William S. Gilchrist, Jr., plead nolo contendere to one count of making a false statement and was placed on probation for one year.

The Burlington Northern Railroad paid a $75,000 fine for concessions made to a shipper.

ASARCO paid a $20,000 fine for accepting concessions in the Burlington Northern case.

Thus far in FY 1984, four cases have been referred to the Department of Justice. They involve rebates, kickbacks, falsification of documents, and obstruction of an agency proceeding. All are still pending.

Winston Boggs and Howard M. Neubert each entered conditional pleas of guilty to a violation of the Elkins Act. The case involved allegations that Neubert, aided and abetted by Boggs,

received cash kickbacks from various trucking companies in return for a shipper's traffic. Each was fined $10,000.

Streamline Shippers, Inc., a shippers' agent, was fined $10,000 on its plea of guilty to four counts of falsifying bills of lading. The falsifications resulted in substantial unlawful monetary benefits to Streamline by Santa Fe Trucking Company and the Santa Fe Railroad.

SENATOR ANDREWS: How much of your enforcement effort is spent in compliance review? In compliance review, what percent of the time is spent checking for operating authority and how much time is spent ensuring the tariff filings are correctly filled out? How does this benefit the consumer? Please elaborate.

ANSWER: Compliance (described as review in the question) and enforcement are discrete functions that are treated as separate programs in the Commission's budget. Compliance is the oversight and monitoring of all aspects of regulated transportation. Although the Enforcement Program draws heavily on the results of the compliance effort, it specifically includes the comprehensive investigation and possible litigation of serious noncompliance situations discovered in compliance reviews. Thus, the enforcement effort is directed against specific unlawful allegations in numerous compliance areas; none of the enforcement effort is spent on the review activity itself. Enforcement efforts relating to operating authority, and matters bearing on tariff integrity, consumed approximately 20 percent of enforcement staff resources in FY 1983.

Enforcement efforts in the operating authority area, as with those on tariff integrity, benefit the public by giving it the protection contemplated by the Interstate Commerce Act, related statutes, and the Commission's implementing regulations. More specifically, with reference to the carrier operating without authority, in this day of relaxed entry, questions necessarily arise as to whether the operator is fit to obtain authority. In other words: Has it a history of safe operations? Is it willing to obtain, or has it obtained, the level of bodily injury, property damage, and cargo liability insurance coverage required of an authorized carrier to protect the public? Is it willing to follow the consumer protection regulations of the Commission, such as the rules for handling claims, C.O.D. shipments, and the like? The carriers affected by our enforcement activities in the authority area have in every instance been given advice and opportunities to bring their operations into compliance before any enforcement action is undertaken, and, many unlawful operators do so. Thus, we are enforcing the law primarily with respect to those operators from whom the public most needs protection.

With respect to tariff integrity, or compliance with lawful tariff requirements under the law, much the same situation prevails. The Congress has provided increased pricing flexibility to enable common carriers to compete in a free market for the traffic of shippers and to make provisions in their tariffs to price their services competitively, giving discounts and special services--subject only to fair market limitations to prevent predatory pricing, unlawful discrimination, monopoly pricing and the like. Moreover, in implementing the law in response to the National Transportation Policy, the Commission has allowed common carriers also to be contract carriers and given contract carriers relief from tariff filing requirements. In such a structure, questions arise concerning a carrier's willingness to compete

fairly and honestly when we are confronted with under-the-table deals, whether they involve kickbacks, illegal rebates or concessions, unlawful predatory pricing, or discriminatory evasion of tariff requirements. The public benefits by our enforcement activities in this area because, should the practices go unremedied, the public loses the fruits of the fair and free market contemplated by the several regulatory reform Acts.

SENATOR ANDREWS: Does the Office of Compliance and Consumer Assistance have an Interpretations Branch? How many persons are involved in interpretation and what do they do?

ANSWER: The Office of Compliance and Consumer Assistance does not have an Interpretations Branch. One attorney is assigned the task of providing informal operational interpretations on a full-time basis. When the need arises, other attorneys are assigned to assist in the task of responding to requests for interpretations so that no backlog of requests is created. This totals approximately 2-1/2 staff years devoted to the activity. Additionally, the Office of Compliance and Consumer Assistance's non-legal technical staff respond to questions involving interpretations of the regulatory statutes following established written instructions and manuals and, on occasion, consult with the attorney assigned to this function.

The Office of Compliance and Consumer Assistance has been delegated authority to issue written informal staff opinions and interpretations for all areas beyond the discrete functions of other bureaus and offices. These opinions relate to (1) interpretation of the provisions of the Interstate Commerce Act and related Acts; (2) interpretation of the Commission's substantive and procedural regulations under the Act; and (3) interpretations involving the scope of individual motor carrier certificates. These matters are deemed to fall within the special expertise of the Office of Compliance and Consumer Assistance. During Fiscal Year 1983, of the Office of Compliance and Consumer Assistance issued 500 informal interpretations.

SENATOR ANDREWS: Does the Proceedings Office have an Interpretation Branch? How many persons in the Proceedings Office are involved in interpretation? What do they do?

ANSWER: The Office of Proceedings does not have a separate Interpretation Branch. However, that Office does handle interpretations in the context of formal proceedings. The interpretations usually involve operating rights issues and are normally sought by individual carriers as a petition for declaratory order (5 U.S.C. 554) or a petition to clarify or interpret formally an operating right (49 CFR 1160.64). All such requests that cannot be resolved based solely on the request (e.g., with a decision explaining Commission policy on an issue) are published in the ICC Register and Federal Register for public comment. The proceedings are frequently complex, requiring assignment to a staff attorney to analyze the record and prepare a draft decision for circulation to the Commission for a vote.

Approximately 10 attorneys in the Office of Proceedings will be involved in handling interpretations proceedings during this fiscal year; the effort is expected to consume approximately two staff-years.

SENATOR ANDREWS: Could interpretations be handled by one office? If not, why not? If so, why doesn't the Commission make this change?

ANSWER: At this time four organizations respond to requests for interpretations: the Office of Proceedings, the Office of Compliance and Consumer Assistance, the Bureau of Accounts, and the Bureau of Traffic.

Requests for interpretations specifically dealing with technical aspects of the law or adjudicatory issues are handled by staff in the Office of Proceedings. These requests may be answered by various staff in that office, depending on the expertise required to answer the question. The Office of Compliance and Consumer Assistance responds to requests for interpretations of the statutes as these relate to day-to-day operations, the practical application of the law. Questions on accounting rules, accounting and reporting systems, or reporting requirements are answered by the Bureau of Accounts. Generally, these interpretation requests deal with how to account for transactions not specifically covered in the existing system. The Bureau of Traffic provides interpretations of tariffs and the applicability of rates.

The nature of the requests assigned to each of these organizations is specific to the work of that office and is substantially different from the others. Staff who provide interpretations do so in addition to other responsibilities in their respective offices. The expertise necessary to render satisfactory interpretations is derived from daily work in a particular area of transportation regulation and is developed through this work, individual experience, and regular interaction with management and other operating personnel. Organizationally, these functions are placed with the staff from which responses will be drawn. Because of the diverse nature of the four basic types of work, there are no economies to be gained from integrating the functions.

RAIL-LINE ABANDONMENTS

SENATOR ANDREWS: In deciding rail line abandonment cases the Commission regularly dismisses evidence on lost jobs, reduced tax revenues, potential business failures and increased transportation costs as only inconveniences. What type of adverse impact on a rural community would the Commission consider to be something other than an inconvenience?

ANSWER: The statutory standard governing abandonments is whether the present and future public convenience and necessity permit the proposed abandonment. 49 U.S.C. 10903(a). In implementing this standard, the Commission attempts to strike a balance between the potential harm to affected shippers and communities which would result from abandonment and the present and future burden which continued operations would impose on the carrier and on interstate commerce. The Commission must also consider whether the proposed abandonment will have a serious, adverse impact on rural and community development.

In abandonment cases, the burden of proof is on the railroad. Once the railroad proves that it is suffering operating losses, facing substantial future maintenance and/or rehabilitation expenses, or incurring substantial opportunity cost, it has made a prima facie case that continued operation is a burden to it and interstate commerce. At that point, the burden

of going forward shifts to the protestants to show some adverse impact from abandonment. However, if the railroad fails to meet its initial burden, the Commission will deny the abandonment. See for example: AB-52 (Sub-No. 26), Atchison,Topeka and Santa Fe Railway Company-Discontinuance of Service-In Harper and Sumner Counties, KS (not printed), served March 30, 1984; and AB-6 (Sub-No. 141), Burlington Northern Railroad Company-Abandonment-In Henry and Mercer Counties, IL (not printed), initial decision served August 19, 1983, and decision affirming denial served November 15, 1983.

If the railroad has made its prima facie case, the question becomes what protestants can do to support a Commission finding denying abandonment. The first thing a protestant must do is to file a complete protest setting forth why abandonment should be denied. It is insufficient to have protestants submit unsubstantiated statements alleging various adverse consequences of abandonment. The Commission is looking for evidence of (1) unavailability of alternative transportation, including reasons why other modes are not operationally feasible or are prohibitively expensive when compared to reasonable rail rates; (2) actual harm to businesses, such as closure of plants or relocation, and the resulting harm to the community in terms of unemployment and lost tax revenues; and (3) concrete plans to increase traffic, as opposed to claims of bad economic conditions and vacant property available for industrial development.

Recently, the Commission has denied several abandonments after protestants have presented the type of specific evidence discussed above. For example, in AB-1 (Sub-No. 154), Chicago and Northwestern Transportation Company-Abandonment-in Stanley Jones, Haakon, Jackson and Pennington Counties, SD (not printed), initial decision served November 25, 1983, and decision not to hear railroad's appeal served February 22, 1984, abandonment was denied despite the fact that the railroad suffered operating losses in excess of $1.2 million and opportunity costs in excess of $1 million. Denial was based on the need of this agrarian community for continued rail service, the lack of alternative service, and the fact that the shippers had evidenced an ongoing commitment to the railroad. In another case, the Commission focused on the evidence of future traffic potential, as well as the impact on the community in denying an abandonment of an unprofitable line. See AB-55 (Sub-No. 72), Seaboard System Railroad, Inc.--Abandonment--In Bacon County, Georgia (not printed), initial decision served September 14, 1983, decision on appeal served December 22, 1983.

SENATOR ANDREWS: What rate of return does the Commission set for calculating a return on avoidable investment and opportunity costs in deciding abandonment cases (22.3%)?

ANSWER: The Commission, in Ex Parte 274 (Sub-No. 5), Revision of Abandonment Regulations, served December 1, 1983, concluded that a rail carrier should be able to earn a return on equipment (locomotives and freight cars) equal to the current pre-tax cost of capital. The rail industry's current pre-tax cost of capital can be developed from the Commission's annual railroad cost of capital proceeding. The Commission's most recent findings, contained in Ex Parte No. 436, Railroad Cost of Capital -- 1982, served August 4, 1983, concluded that the rail industry's after-tax current cost of capital is 17.7 percent, which translates into a pre-tax rate of 28.3 percent.

The opportunity cost associated with rail abandonments is the return a carrier should be earning on the net liquidation value of its road properties in order not to be better off by abandoning the line and investing elsewhere. The opportunity cost return has been defined by the Commission as the difference between the current pre-tax cost of capital and the inflation rate. For 1982 this return was 22.3 percent.

SENATOR ANDREWS: The railroads as a whole are not earning that rate of return, why must branchlines earn it? Have any railroads, to your knowledge, taken the proceeds from an abandonment, put them into investments that earned that type of return?

ANSWER: Congress has instructed the Commission to aid the railroads in their quest for revenue adequacy. It has been determined by the Commission, and upheld by the courts, that for a railroad to achieve financial health it needs to earn a return on investment equal to the current cost of capital. To the extent that any portion of a railroad's operation fails to earn a return on investment equal to the current cost of capital, then either another segment of the operation must earn a return greater than the current cost of capital or the railroad will be precluded from achieving revenue adequacy. Thus, for a railroad to achieve financial health, all segments of the rail system, including branch lines, must either earn a return on investment equal to the current cost of capital or ultimately be abandoned.

It is impossible to trace what happens to specific funds generated by abandonment of a rail line. However, railroads are continuing to make new investment, and it can be inferred from such action that the railroads must be able to earn their cost of capital on such investments.

SENATOR ANDREWS: Does the Commission do its own analysis of costs submitted by a railroad (particularly normalized maintenance costs) or is it totally dependent on data presented by protestants? Does the Commission have staff capable of providing an analysis of the reasonableness of costs submitted by railroads? Are these staff used during a proceeding when cost is an issue?

ANSWER: Commission staff perform independent analysis of data introduced by the railroad (applicant) and protestants to determine the reasonableness of costs. In developing this analysis Commission staff may also consider internally generated data, as well as information from other published sources. Based on all pertinent data and staff expertise, the reasonableness of the evidence is ascertained and opinions are submitted to the decisionmaking body. Commission staff are utilized in proceedings requiring this type of expertise.

SENATOR ANDREWS: Usually the types of locomotives generally used to service branch lines are smaller and less expensive than main-line locomotives, and cars too are often smaller (due to weight restrictions) and thus less expensive. Does the Commission consider the replacement cost of the actual equipment used on a particular line or does it use a system average cost of locomotives and car types when considering abandonments?

ANSWER: The Commission's regulations [Ex Parte 274 (Sub-No. 5), Revision of Abandonment Regulations (49 CFR 1152)] and its current position based on prior abandonment proceedings,

[Docket No. AB-57 (Sub-No. 7), Soo Line Railroad Company-Abandonment, decision served March 9, 1981) indicate that locomotive and freight train car costs shall be based on the current replacement value for each type or the most recent purchase price of that particular type and size indexed to the midpoint of the year or the amount quoted by the manufacturer. Thus, the Commission considers data for specific equipment used on the line rather than system averages.

SENATOR ANDREWS: For a particular line abandonment, does the Commission require fuel cost data based on actual fuel consumption or on system averages? Doesn't a branchline locomotive use less fuel than a main-line locomotive pulling a full train at high speed? Do railroads have or submit fuel consumption data based on different operating conditions?

ANSWER: The Commission's regulations, Ex Parte 274 (Sub-No. 5), allows the assignment of Transportation - Locomotive Fuel to the line segment on the basis of system averages. The railroad's system fuel is apportioned to the branch on the basis of the ratio of branch diesel locomotive unit-hours (road) to the railroad total diesel locomotive unit-hours (road).

It may be reasonable to assume that a branch line locomotive, hauling shorter trains, would use less fuel than a mainline locomotive. However, this may not be the case, depending on any number of factors, such as efficiency of the locomotive, mechanical condition, or age. In either case, where a railroad or a protestant introduces properly supported data specific to the line segment's equipment (i.e., a fuel consumption study) it is used instead of system averages. Thus, while accepting system averages at a minimum, specific fuel data is considered preferable.

SENATOR ANDREWS: Why doesn't the Commission consider the net original investment when evaluating locomotive and car costs? Shouldn't net original cost information be submitted and considered along with replacement cost information?

ANSWER: The Seventh Circuit Court in Chicago & North Western Transportation Company v. United States, 582 F. 2d 1043 (7th Cir.) cert. denied, 439 U.S. 1039 (1978) partially invalidated the Commission's abandonment regulations. The court held that the statute requires that for subsidy purposes the "current cost" of cars, locomotives, and equipment with respect to depreciation expense must be based on replacement value. Even though the court's holding was limited to our subsidy standards, we have adopted the court's reasoning for both abandonment and subsidy calculations.

This case raised important policy considerations regarding equipment costing methodology. In selecting an appropriate costing methodology for both abandonment proceedings and subsidy offers, we sought to establish standards which would permit accurate evaluation of the financial burden of continued operations over a line segment. Original cost, to the extent that it does not take into account inflation, serves to understate the cost of rail plant dedicated to a particular branch line operation. Given this weakness in original cost information, nothing positive would result by requiring the applicant railroad to furnish this information along with replacement value information.

SENATOR ANDREWS: In particular, the study was to address the impact of contract rates on the grain industry. Have contract rates benefitted grain shippers?

ANSWER: Although this question was answered at the Hearing on April 4, we believe the following clarification of the information provided then will be helpful to the Committee.

Many grain shippers have benefited from contract rates. Grain is one of the most active commodity groups in contracting. Our study shows that on January 1, 1984, about 1,800 or 15% of all contracts on file involved grain or grain products. These contracts were executed with a variety of grain shippers ranging from large exporters/merchandisers to small country elevators. Most of these contracts provided for reduced rates or allowances in exchange for volume commitments by the shippers. Like other shippers, the grain shippers that benefited the most were those with competitive transportation alternatives and, thus, the necessary leverage to negotiate favorable contracts.

CONTRACT RATES

SENATOR ANDREWS: What occurs when contract commitments cannot be met by either party? Does the ICC intervene in renegotiation or cancellation?

ANSWER: Contracts are exempt from Commission jurisdiction once specifically approved or if no action is taken 60 days after the date of filing. Therefore, when contract commitments cannot be kept by either party, the Commission does not enter the process. If there is a breach of contract, the exclusive remedy (even while the contract is under Commission jurisdiction) is an action in the appropriate state or federal court, unless the parties agree otherwise. 49 U.S.C. 10713(1)(2).

However, many contracts contain provisions for resolution of issues when specific commitments cannot be met (i.e., car supply, volume requirement, weather factors prohibiting performance, etc.). If these provisions are not successful in resolving the issue, then the parties may renegotiate the contract and file an amendment or a new contract.

The Commission does not intervene in negotiation or cancellation of rail contracts. There is no statutory authority which would permit a formal legal process to accommodate such actions. Moreover, the Commission lacks jurisdiction for virtually every contract where there is renegotiation or cancellation since these would occur after the Commission's 60-day jurisdiction period ends.

It should be noted that the Commission's Contract Advisory Service Staff can and does provide information and advice to contracting parties. However, that staff does not (and should not) become directly involved with these private negotiations.

SENATOR ANDREWS: Have contract rates resulted in decreased rates?

ANSWER: Yes. The vast majority of the 14,000 contracts presently on file involve reduced rates or allowances in exchange for volume commitments by shippers.

SENATOR ANDREWS: Under what circumstances should contract rates be made public?

ANSWER: Currently contract base rates are made public for all contracts involving agricultural commodities, including forest

products and paper. The existence of special features relating to contract base rates is also made public.

The contract rates provisions of the act involve a balancing of competing interests--a recognition of the private nature of contractual agreements, on the one hand, and, on the other hand, release of essential terms to the public so that possible complaints may be filed on the limited grounds available. On the whole, the thrust of the contract rate provisions requires that as much confidentiality as possible be maintained regarding rates and charges, only essential terms being disclosed. This would conform to the private nature of contracts generally and to Congressional intent to foster the use of contract rates.

The contract rate provisions of the Staggers Act are designed to foster and promote contract ratemaking by railroads. Release of the base rate preserves, to some extent, the confidentiality of the contract, while providing a substantial amount of information to the shipper or port involved. To date, available information shows that contract ratemaking has been beneficial to both carriers and shippers. Full disclosure of all contract rate provisions could have a chilling effect on future railroad contract rate activity.

At the same time, we are cognizant that essential terms must be available to an agricultural shipper which intends to file a complaint. The major ground for complaint, aside from impairment of common carrier obligation, is that a carrier "unreasonably discriminated" by refusing to enter into a similar contract for the transportation of agricultural commodities and that the complaining shipper was ready, willing, and able to enter into such contract. A good faith effort to negotiate a contract within the terms set out in the contract summary will satisfy these criteria. If additional information is still required, the shipper may petition to inspect the relevant contract provisions.

Indeed, in three recent cases, disclosure to a shipper of contract information, including actual rates, has been required so that the shipper could prosecute a complaint. This has not been public disclosure, but disclosure of information under confidentiality agreements to a person requiring that information. This is the type of balancing of confidential information and the need to know that we have attempted to achieve.

Separate Expression of Chairman Taylor

I agree that the contract rate provisions of the Act involve a balancing of competing interests, i.e., a recognition of the private nature of contractual agreements on the one hand, and, on the other, release of essential terms so that possible complaints may be filed on the grounds specified in the statute.

With regard to shippers of agricultural commodities, forest products, and paper, complaints may be filed alleging that a contract is unreasonably discriminatory or constitutes a destructive competitive practice. The remedy afforded these shippers under the statute has little meaning, in my view, unless the required disclosure of "essential terms" is construed to include the actual rates and charges. Mere reference to the base rates and charges does not tell a shipper whether rate disparities exist (a necessary factor for establishment of unreasonable discrimination) or whether there are specific grounds to assert

that the contract constitutes a destructive competitive practice. For this reason, I dissented in Ex Parte 387 and would have required disclosure of actual rather than base rates.

Subsequently, in a court action, the U.S. Court of Appeals for the Second Circuit remanded Ex Parte 387 to the Commission and mandated easier discovery for parties with standing to challenge contracts. Otherwise, as the court points out, the statutory right to challenge contracts would have no meaning. Hopefully, appropriate discovery of necessary information, including actual rates, will remedy the deficiency in the original contract rules.

SENATOR ANDREWS: Would it be fair to say that contract rates have benefited the Class I railroads, with shortline railroads actually losing traffic?

ANSWER: Although this question was answered at the Hearing on April 4, we believe the following clarification of the information provided then will be helpful to the Committee.

We do not believe that Class I carriers have benefited to the overall detriment of shortline railroads. Contract ratemaking has intensified intramodal competition and there is no doubt that some shortlines have lost traffic, particularly overhead traffic, because of the routing allowance contracts of the Class I carriers. However, our report indicates that most responding shortlines have benefited from contracting. These shortlines report a larger percentage of traffic under contract than the Class I carriers. Also, similar to the Class I railroads, many shortlines used contracts extensively to weather the recession.

BOXCAR DEREGULATION

SENATOR ANDREWS: Some in Congress, and apparently the Department of Transportation, are concerned about the impact of the Commission's boxcar decision on those least able to protect their interests -- the Class III railroads and shippers. The question is whether the majority decision is in keeping with the Commission's statutory authority. Do you agree, Chairman Taylor, that the record on the boxcar decision failed to address shipper protection from the abuse of market power of large carriers? Do you feel the majority decision met existing statutory criteria?

ANSWER: In my view, the record before the Commission failed to support the conclusions drawn by the majority, including the finding that rate regulation is no longer necessary to protect boxcar shippers from the abuse of market power. The grant of the exemption, despite an almost total lack of positive response, coupled with the paucity of supporting evidence of record, can only lead to the conclusion that the majority decision is based on wishful thinking and unverifiable predictions and assumptions rather than facts. As to whether the majority decision met existing criteria, again, it is my view that it did not. This matter is discussed at length in my dissent, a copy of which follows:

Chairman Taylor dissenting:

A thoughtful review of this decision, wherein the exemption of rail traffic moving in boxcars is approved, can only lead to the conclusion that the grant of such exemption is based upon wishful thinking and unverifiable predictions and assumptions, all of which rely more on theory than fact. This Commission has been charged by Congress with the duty of rationally deregulating the railroad industry in a manner consistent with the National Rail Transportation Policy. To this end, we have been given standards to consider, but reasonable conclusions predicated upon such standards cannot be drawn in the absence of adequate supporting evidence.

Advocates of the exemption in this proceeding consist of one railroad,[1] two government agencies, and a handful of shippers, most of whom do not even use boxcars. On the other hand, a multitude of parties opposed the exemption by the submittal of an enormous body of evidence demonstrating the fallacies inherent in the proposal. These parties included the railroads themselves (except for the Southern Pacific on the rate issue) and the general thrust of their opposition was that the boxcar exemption will radically alter both financial and operational relationships throughout the entire railroad industry. Accordingly, those opposing the exemption comprise virtually every group which participates in or depends upon our national railway system.[2]

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[1] The Southern Pacific and its subsidiary the St. Louis Southwestern support only the rate exemption.

[2] It bears repeating here that denial of this proposed exemption was supported by: (1) Two branches of the government, the Departments of Defense and Agriculture, which, as large shippers, have legitimate commercial interests in the rail transportation business; (2) The Association of Western Railways, (including the Chicago & North Western Transportation Company, Burlington Northern Railroad Company, Denver & Rio Grande Western Railroad Company, Green Bay & Western Railroad Company, Illinois Central Gulf Railroad Company, Atchison, Topeka & Santa Fe Railway Company, Elgin, Joliet & Eastern Railway Company, Missouri-Kansas-Texas Railroad Company, Soo Line Railroad Company, Missouri Pacific Railroad Company, Western Pacific Railroad Company, Kansas City Southern Railway Company, and Union Pacific Railroad Company), one-third of the individual Class I railroads and about 20 short line railroads. (The American Association of Railroads also opposes the car service/car hire portion of the exemption.); (3) Eleven state and local agencies; (4) Nine private car owners; (5) Over 70 shippers, associations, and nonrail carriers; and (6) numerous members of Congress.

Moreover, this exemption is totally unlike any other proposed by either the Commission or the railroad industry. It cannot be compared with a commodity exemption which deals with individual products moving in specific markets, thereby allowing for a rational analysis of the probable effects of the exemption.[3] Nor can the TOFC/COFC exemption serve as precedent, since that exemption was specifically supported by the Staggers Act, 49 U.S.C. 10505(f), and its legislative history.[4]

To grant the exemption, the Commission must make certain findings in accordance with the statutory criteria set forth in 49 U.S.C. 10505 based upon the evidence of record. The almost complete lack of positive response to this exemption, coupled with the embarrassing paucity of supporting evidence, should have led to the conclusion that the proposal under consideration fails to satisfy any of the criteria of Section 10505. Consequently, a denial was clearly mandated, because the Commission cannot make the requisite findings to grant the exemption.

THE STATUTORY CRITERIA OF 49 U.S.C. 10505(a)(2)

Limited Scope:

No one has made a serious effort to argue that a proposal affecting 40 percent of the total car miles in the U.S. is of limited scope. Various parties have noted that the exemption would encompass 25 percent of the national rail car fleet, 22 percent of the country's rail traffic, 25 percent of Conrail's total traffic, and 90 percent of the major commodity groups. Of the 35 major commodity classifications, 34 have boxcar movements. Of these 34,

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[3] The railroads themselves have stated that the most logical and reasonable approach to exemptions is by commodity and not car type.

[4] See H.R. Rep. No. 1035, 96th Cong., 2nd Sess. 60(1980). Further, the special nature of TOFC traffic makes it highly competitive and versatile. TOFC/COFC operations are from a limited number of ramp origins to a limited number of ramp point destinations. In 1980, the number of boxcar loads shipped was about 200% of the TOFC car loadings. The predominant rate form for TOFC is FAK (Freight all kinds) and the commodity is the trailer - usually a 40 foot van. There is generally no rate differential on different kinds of goods sealed in the trailer. This enables shippers to switch modes at whim, and provides built-in controls against abuses and excessive rates.

14 move by boxcar at least 50 percent of the time. In 1981, there were 3,237,676 boxcar shipments in this country, and boxcar traffic accounted for 42 percent of total rail movements into and out of the Eastern Territory. Conrail originates and terminates more boxcars than any other railroad and has control over one out of every six boxcar shipments. Conrail serves 2,690 stations in the Northeast. These stations serve industrial areas which turn out 84 percent of the manufactured goods produced in that section of the country. . . Conrail also loads and unloads 54.1 percent of all boxcar traffic in that section. In light of these figures, a limited scope argument is clearly not available.

Abuse of market power:

Nor can an appropriate finding be made with regard to the abuse of market power criterion. To determine whether market power is likely to be abused, an adequate definition of the market is necessary. But product markets are defined by commodities not car types, and it is the contents of a car, not the car type, that competes on the open market. The fundamental premise of the exemption proposed herein is that all commodities (except nonferrous recyclables), when transported in boxcars, move competitively. This assumption requires an enormous leap of faith, as boxcar freight is exceptionally diverse. It covers a wide range of commodities, rates, competitive situations, characteristics, locations, and destinations, all of which go into the definition of a market. Because of the lack of focus of this proposal, it is not possible for the Commission to make a finding that the application of every rate provision of the Interstate Commerce Act is no longer necessary for all boxcar transportation.

Even were such a finding possible, the complete inadequacy of the record precludes the Commission from drawing the necessary

conclusions.[5] The evidence presented by Conrail does not reflect or represent the rest of the country outside the Northeast.[6] The Northeast differs from the rest of the country in number of cars terminated, manufacturing output, level of consumption, population, length of haul of shipments, and efficency of rail carriers. The nationwide statistics on which the majority relies to fill the gaps are well over six years old.[7] Moreover, the majority decision doesn't even attempt to show that these studies, conducted during the restrictive era of rail regulation, bear any relationship to the current railroad industry, which has changed so remarkably in the last few years, especially since enactment of the Staggers Act.

Also, much traffic that now moves in boxcars tends to be inherently rail oriented. But the broad brush methods of support used here ignore all but the most general figures. In spite of the fact that the Commission specifically requested disaggregated data to determine which markets were competitive, Conrail chose to rely on the Reebie study which is not broken down further than the three digit Standard Transportation Commodity Code (STCC). At this level, the data are too generic and not specific enough to enable an adequate analysis of the competition in any particular market.[8]

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[5] Compare the aggregated data for the Northeast supplied by Conrail in this proceeding with No. 38676, Changes in Routing Provisions-Conrail-July 1981, 365 I.C.C. 753 (1982) (remanded, Chesapeake and Ohio Railway Co. et al. v. United States of America, 7th Cir. Nos. 81-2286, 82-1625, and 82-1693 (April 4, 1983). The Court held that there was not substantial evidence to support the conclusion that certain joint rate cancellations were consistent with the public interest because, among other things, the Conrail study on which the Commission relied heavily was deficient since (i) it considered only some of the traffic, i.e. that on which Conrail was a terminating carrier, and (ii) it was in grossly aggregated form.).

[6] See Appendix A, n.1 of majority decision.

[7] See Appendix B, n.1,2 and Appendix C, n.1 of majority decision.

[8] For example, STCC 331 covers steel works, rolling mill or other reduction plant products. The STCC is then further divided into 245 separate commodity groups. Another example is STCC 204, grain mill products, which, as Conrail has shown, travels 41.5% in boxcars. However, when this is expanded to the four digit level, there are six separate subgroups with boxcar shares of from 11.5 to 97.2 percent!

Another major objection to this proposal is that many commodities, which can be regarded as"boxcar traffic", also move in other types of railroad equipment, and such commodities will now compete in the same markets when moving in different types of railroad equipment. This situation presents the substantial likelihood that the deregulation of those commodities, when moving in boxcars, will affect their marketing merely because of an anomaly of regulatory policy.

A perfect example is the movement of grain, soybeans, and sunflowers seeds. In our recent decision in Ex Parte 346 (Sub-No. 14), Rail General Exemption Authority-Miscellaneous Agricultural Commodities (not printed), decided Feb. 17, 1983, we specifically declined to include grain and soybeans. After considerable analysis, however, we also concluded that sunflower seeds should not be exempted. Now, with only a brief reference by the majority to grain generally, all these commodities will be exempt when transported in boxcars. Such an obvious undoing with the left hand of what the right hand has done is nonsensical to say the least.

Different rules and rates for different types of equipment surely will lead to a distortion in the demand for certain cars, because equipment choices will be influenced by the boxcar exemption rather than the efficiencies and benefits of particular equipment relative to any given movement. This is a special concern of shippers, because even though they may request a specific type of equipment, if they receive an unregulated boxcar, their choice may be to accept it or face unacceptable delays in receiving the requested equipment. It is ironic that this so-called "deregulatory" proposal will, in actuality, interfere with decisions based on natural market forces and perhaps even encourage the continued use of equipment which many in the railroad industry believe is eventually destined to become obsolete.

Thus, the proposed exemption fails the tests of both 10505(a)(2)(A) and (B). It is not of limited scope, and the record cannot support a finding that there will not be an abuse of market

power, because there is no evidence to determine what the market is.

THE MODIFIED CAR HIRE/CAR SERVICE PROPOSAL

To fully consider the relationship of this exemption to the statutory criteria and the National Rail Transportation Policy, it is first necessary to discuss the serious problems raised by the grant of the modified car hire and service proposal.

If the car hire and car service issues occupy such a prominent place in the record, it is with good cause, as they lie at the heart of this Conrail-initiated proceeding, which is really concerned with how the car hire and distribution system has worked and how it should work. Under the current system, both the provider and user of cars are restricted in their decisionmaking. The owner has no control when the car is off line, and users are restricted in terms of car supply availability. Therefore, it has been properly argued that some effort should be made to move toward a more market-based system.

The problem with the modified Conrail proposal[9], as I see it, is that while the individual steps proposed, taken in isolation, seem to be key ingredients of a market based system, when superimposed over the current system, they turn out to be logically incompatible.

Consider first the imposition of empty mileage charges and reclaim per diem after 3 days. This puts using roads in a position to make car use decisions that affect a third party's costs. Using roads will control whether the owning road incurs empty movement charges, on excess cars to remote points, by deciding what cars to load for given shipments.

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[9] I would like to point out that the notice of this proposal was made under the auspices of 49 U.S.C. 10505, which authorizes exemptions from regulation. This proposal, which will authorize the authority to assess charges at certain levels and to store empty cars while reclaiming car rental charges, is a regulation -- not an exemption. Certainly 49 U.S.C. 11122 would permit such regulations, but only after proper notice. Respondents who commented on this proposal, as noticed by the Commission under 10505, were clearly denied the opportunity to address it under 11122. These sections have different purposes and different standards. The courts have consistently found procedural defects of this nature to be fatal for lack of proper notice.

This is the key to the objections registered by both large and small carriers. As the majority recognizes, shortline railroads will be severly affected by Conrail's modified proposal. For instance, a shortline could purchase cars for the use of its shippers and then load these cars for termination on another line in the same region. But that latter line could then send the reloaded cars thousands of miles away. If the original road needed the cars for its shippers, it would have to pay the empty mileage charge to secure return.

Another problem of even greater magnitude for the shortlines is that their share of the freight revenues may not even equal the empty mileage charges assessed. The long haul road, on the other hand, will receive the benefit of both the greater share of the revenue plus all the empty mileage charges. In many instances, it would even be to the holding road's advantage to move this equipment the longest route possible in order to maximize the mileage charges. Moreover, it certainly seems peculiar to allow a terminating carrier to assess demurrage on shippers who do not timely release cars, and then allow such terminating carrier to also assess charges on the carrier that owns the cars once they are empty. Whether the shortlines can survive until they reach the majority's nirvanha of having equal bargaining power with Conrail is indeed problematical.

Keeping in mind the Commission's retention of reciprocal switching obligations, the majority's effort to graft a little "free market" onto regulation can be expected to produce some serious difficulties. Regardless of whether there is an agreement between the parties, compulsory interchange will require Conrail and other roads to accept whatever car is tendered for further movements--no matter what its expense. The receiving road cannot refuse to accept a car.

Equally shakey are the majority's predictions regarding the incentive to own boxcars. 49 U.S.C. 11122(a) requires the Commission to encourage the purchase, acquisition, and efficient use of freight cars. However, the investment risk that owners would be

subject to by virtue of Conrail's modified proposal is clearly unwarranted, especially as control of the cars has not been offered as a quid pro quo. One does not move in and out of the freight car business on short notice. Any disincentive to invest in freight cars can result in later shortages, since there is a built in time lag of many months between the time a car is ordered and the time it is delivered.

High car costs and empty car miles are an important concern, not only to Conrail, but also to many other railroads. The solution is not to reward one at the expense of all the others. Clearly, a process which penalizes owners, be they shippers, railroads, or third parties (who after all are largely supplying the debtor roads such as Conrail with car capacity) is not what Congress envisioned. The Commission, the AAR, and all other interested parties should be directing their efforts toward finding an overall solution, not a makeshift one.

THE RAIL TRANSPORTATION POLICY OF 49 U.S.C. 10101a

After considering all the individual issues in an exemption proposal, the Commission must then bring them together for a balancing of the many goals set forth in the National Rail Transportation Policy.

The broad policy arguments used to support the exemption herein proposed are the same ones that are generally relied upon to support every deregulatory action, e.g., less paperwork and pricing flexibility. However, the necessity of individual agreements with every shipper and car owner should more than offset the reduced amount of paperwork that must be filed with the Commission, and without resort to the exemption, an abundance of price flexibility is already available under the current statutory system. With particular reference to pricing flexibility, one need only review the many protests and complaints filed in the last year by shippers and carriers regarding cancellations of joint rates and routes to understand that existing flexibility is already producing serious

shipper and carrier concern.[10] Thus, the majority is correct that the exemption will eliminate, at least with respect to boxcar movements, "litigation and other expensive procedural obstacles" placed in a railroad's way by Congress. In any event, such general "benefits," even if balancing allows them to be characterized as such, cannot outweigh the needs of our national rail system as a whole.

The goal of the National Rail Transportation Policy is to promote and ensure the continuation of a healthy railroad system. To this end, regulation is recognized as a legitimate function of the Federal government to (i) prevent discrimination against shippers or connecting carriers, (ii) facilitate the establishment of single factor through rates, (iii) publicize rail rates, (iv) assure shippers that traffic will move efficiently, and (v) provide incentives for investment.

49 U.S.C. 10101a, subparagraphs (1), (3), (4), (5), and (6), emphasize the importance of competition, stress the need for reasonable rates and adequate revenues, and accentuate the necessity of maintaining a financially sound and integrated rail system. However, the very nature of the boxcar exemption is inapposite to all these goals. True competition relies on a rational system of decision making based upon market realities--not on whether a commodity moves in a boxcar. Reasonable rates and adequate revenues should go together to benefit both shipper and carrier--and not just Conrail. Ratemaking decisions should be based on more than the type of equipment used. In addition, it cannot be said that the proposed exemption will encourage equipment investment or the efficient movement of traffic. What can be predicted is that boxcars will simply become the joker in the deck, with their own special compensation rules grafted onto the current system.

The National Rail Transportation Policy also instructs the Commission to cooperate with the States on transportation matters.

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[10] See, for example, No. 39176, The Chlorine Institute, Inc. v. Atchison, Topeka & Santa Fe Railway Co., et al.; No. 38676, Changes in Routing Provisions, supra, n.5.

49 U.S.C. 10101a(9). In spite of having recently forced the States to accede to federal exemptions as the price for certification of intrastate railroad jurisdiction, the majority has not even attempted an analysis of the effect of this massive boxcar exemption on intrastate rail transportation.

Certainly the proposed exemption will not encourage (per 49 U.S.C. 10101a(10)), the elimination of noncompensatory rates, as many smaller carriers will be forced to that level to retain any traffic at all. Nor can it be argued (per 49 U.S.C. 10101a(13)) that the proposed exemption will prohibit predatory pricing and practices, avoid undue concentrations of market power, and prohibit unlawful discrimination, because there will be no forum to which a carrier or shipper may bring a complaint. Lastly, contrary to 49 U.S.C. 10101a(4), the proposed exemption will seriously endanger our rail transportation system, whose healthy continuation Congress, through its stated policy, wishes to maintain.

SUMMARY

I have strongly supported and openly invited resort to the Commission's exemption authority as a means of leading, perhaps even pushing the railroad industry toward more reliance on themselves and the marketplace. To date, I believe such efforts have been crowned with success, in that the industry's requests for exemptions, together with the Commission's responses, have been genuinely responsible in every instance that comes to mind. Today, however, the majority has mandated a step backward by allowing deregulatory zeal to impose an unworkable system on an unwilling public. This is the kind of irresponsibility which can only serve the interests of those who are patiently searching for reasons to justify reregulation. I deeply regret the ammunition provided by the majority's decision in this proceeding.

SENATOR ANDREWS: The Commission voted to stay until July 1 the effective date for Class III boxcar deregulation. Will a further stay be granted in light of the Court's timetable (oral arguments late spring)?

ANSWER: The Commission remains open-minded about further stay of the effective date for Class III car supply deregulation. In its decision served November 3, 1983, the Commission extended the effective date of the car hire portion of the exemption as it applies to cars owned or leased by Class III carriers in an attempt to ameliorate the impact of the regulatory changes on these carriers. During the interim, the Commission indicated it expected Class III carriers (and the car leasing companies that serve them) to use this additional time to negotiate satisfactory car leasing and interchange arrangements. If the Class III carriers can show they have made substantial efforts in this direction, but still have been unable to complete the process before decision by the reviewing court, or before the present effective date of July 1, 1984, the Commission stands ready to extend the effective date. We are also receptive to any other arguments for stay that may be offered. As yet, no parties have formally filed petitions seeking such relief.

SENATOR ANDREWS: This intervening time was to allow carriers to negotiate bilateral agreements on the use of boxcars. How successful have carriers, like Conrail, been at concluding such agreements? Do these bilaterals establish per-mile return fees at the ICC-decision level of 35 cents per mile for empty return or at lower rates?

ANSWER: Most Class I carriers have negotiated bilateral agreements on the use of empty boxcars. The majority of these agreements have added incentives to the Association of American Railroad's car service practices that were in effect on December 31, 1983. The agreements are designed to provide an incentive to reload boxcars being returned to the owning road. Some Class I carriers have also offered cash allowances to shippers for loading boxcars returning to the owning railroad.

Conrail currently has agreements with 21 carriers (10 Class I and II and 11 Class III) and is also talking to some of the larger private car owners.

We could find no instance of any Class I carrier increasing the empty car mileage fee to the Commission's decision level of 35 cents per mile. However, Conrail has notified shippers that if they want "assigned" boxcar equipment, freight rates may be increased.

SENATOR ANDREWS: It has been almost a year since the Commission decided this issue. Is there any solid evidence that the accumulation of empty car miles is slowing down?

ANSWER: Since January 1, 1984, no studies have been completed on empty car mileage. However, the Association of American Railroads (AAR) reports that a study will be published by May 1, 1984. The AAR also reports that there have been 10 consecutive weeks where boxcar surpluses have decreased. Recently, some spot shortages of boxcars have also been noted.

RATE CANCELLATION

SENATOR ANDREWS: One result of the Commission's decision to deregulate boxcar traffic has been shipper concern about joint

rates cancellation. Although rate freedom is envisioned by the Staggers Act, rate cancellations that result in reduced competition are not proper. What monitoring has the Commission done of joint rates cancelled before and since the partial implementation of the boxcar decision?

ANSWER: The Commission has reported to Congress on joint rate cancellations both in a report served November 18, 1982 (Ex Parte 427, Joint Rates Study, A Report to Congress Pursuant to Section 217 of the Staggers Rail Act of 1980) and in special sections of its regular Annual Report to Congress for the last three years. The information we were able to collect so far and transmit, however, has been relatively sparse and inconclusive. We have initiated a staff study which includes a shipper survey on the prevalence and effects of cancellations of joint rates and reciprocal switching agreements. The period covered is 1981-83, which does not include the time since the boxcar traffic exemption went into effect, but we believe that insufficient time has elapsed to study the results of the boxcar exemption. We do expect, however, to undertake a formal staff study of the impact of the boxcar traffic exemption similar to the ones we performed on fresh fruits and vegetables and have been undertaking on trailer on flat car and container on flat car traffic.

SENATOR ANDREWS: If the pace of cancellations is currently slow, does that mean railroads are concerned about shippers' needs or does it mean that shippers would turn to another mode?

ANSWER: We do not have enough information to state as a matter of fact that the pace of cancellations is slow or that it has slowed down. We have, however, heard of recent efforts (largely on the part of the Southern Pacific) to reinstate reciprocal switching arrangements that had been cancelled. We also know that Conrail has been replacing previously surcharged or cancelled joint rates with "independent factor" joint rates which maintain flexibility with respect to each individual road's portion of the rates while still allowing the carriers to quote single-factor joint rates to shippers. These developments seem to imply a realization on the part of the carriers that some of the cancellation activity may have been excessive and self-defeating, i.e., resulting in traffic lost to railroads as an industry. The roads are, in other words, compelled to be concerned with shippers' needs or risk loss of traffic, as too much of rail traffic, in particular boxcar traffic, is subject to strong intermodal competition.

SENATOR ANDREWS: Has the Commission studied joint rate cancellations by major railroads to ensure that the resulting single line hauls, which the cancelling railroad would claim were more efficient, actually resulted in lower rates?

ANSWER: In our report to Congress, Ex Parte 427,' Joint Rate Study, not printed, served November 18, 1982, the Commission stated that it would continue its review of joint rate cancellations to determine whether there is a need for further action. To assist in this review, the Commission initiated an industry-wide study of joint rate cancellations, among other activities. This study is based on an in-depth analysis of the causes and effects of such carrier actions. It is designed to assess the impact of these changes on individual shippers and the

system as a whole. We are currently analyzing the data acquired, and the target date for release of this study is early November 1984.

SENATOR ANDREWS: Do the cancellations of joint rates and the resulting closing of gateways mean that we are at the verge of losing the concept of a nationwide railroad system? Already some railroads are advertising line-haul piggyback service to Chicago and trucking beyond. Will we lose the benefits of standard gauge as each railroad becomes a feeder system of its own lines only?

ANSWER: We believe we have been in a period where the rail industry has made many adjustments to the Staggers Act. But the adjustments were necessary, it appears, to correct the problems of a fixed pricing system that was unresponsive to economic conditions and differences in efficiency and which led to passage of remedial legislation in 1976 and again in 1980. After an initial period of adjustment, the railroads should coordinate and operate better to avoid the loss of traffic to other modes. With the added flexibility in pricing, the result should be a more efficient and coordinated system than existed prior to the Staggers Act. We will continue to monitor changes in this area.

CAR SERVICE ORDERS

SENATOR ANDREWS: The ICC has the authority to direct rail service when necessary. Is the Commission also empowered to direct cars?

ANSWER: Yes, 49 U.S.C. 11123, empowers the Commission to respond to "situations requiring immediate action" in the areas of equipment shortages, congestion of traffic, and other failures in traffic movement. Clearly, this includes the direction of carrier owned or controlled equipment, as Section 11123(a)(1)(B) allows the Commission to "take action during the emergency to promote service in the interest of the public and of commerce regardless of the ownership (as between carriers) of a locomotive, car, or other vehicle." The Staggers Act did, however, impose new "magnitude standards" in Section 11123 to the extent that the Commission must make a finding of "substantial adverse effects" on rail service in at least a "substantial region of the United States." This section also permits the Commission to give directions for preference or priority of movements in rail transportation. Also contained in this subchapter is the authority for the Commission to direct the handling and rerouting of traffic of a carrier which is disabled or otherwise unable to fulfill its obligation (49 U.S.C. 11124, Rerouting Traffic on Failure of a Carrier to Serve the Public). Finally, 49 U.S.C. 11128, War Emergencies, empowers and requires the Commission, upon Presidential certification, to direct that preference and priority be given to military troops and materiel.

SENATOR ANDREWS: Has this responsibility been delegated to the American Association of Railroads (AAR)? If so, under what legal authority? Does the Commission review AAR's car service activity? Can AAR issue directive emergency orders to move cars about? Can AAR fine carriers for non-compliance? Has AAR ever levied a fine in this area?

ANSWER: The Commission has not delegated its authority to the AAR to direct rail equipment. The Commission does have authority for such a delegation under 49 U.S.C. 11121(b). That

provision authorizes the Commission to designate and appoint agents and agencies to make and carry out its directions related to car service and matters under Sections 11123 (situations requiring immediate action); 11124 (rerouting traffic); 11125 (directed rail service); 11127 (service of freight forwarders); and 11128 (war emergencies).

The AAR is an association of railroads that has been given certain car service responsibilities by the member carriers. The AAR serves as an internal coordinator with certain powers to administer the rules adopted by member carriers for the mutual benefit of the industry. Since the Commission is empowered, by statute, to direct car service, we follow closely AAR's car service activities and performance. There is a continuing dialogue between the ICC and AAR staff relative to car service issues. If problems can be resolved by the AAR without Commission intervention and action, that is generally preferable.

Part of the responsibility given to AAR by the member carriers is to issue directives for moving cars among carriers. This authority is generally exercised when cars become scarce or special problems arise. Additionally, and on a permanent basis, the AAR oversees and polices the voluntary rules governing the handling and movement of rail equipment. These rules, known as the Car Service Rules, were initially established by the industry in 1917.

The Commission relied on voluntary car service rules established by the AAR from that date to 1969. In 1969, the Commission for the first time prescribed car service rules. (Investigation of Adequacy of Freight Car Ownership, 335 I.C.C. 264). In 1980, these mandatory car service rules were for the most part rescinded in Ex Parte 241 (Sub-No. 1), Investigation of Adequacy of Railroad Freight Car Ownership, Car Utilization, Distribution Rules and Practices, 362 I.C.C. 844. Potential productivity increases and additional flexibility were the principal rationale for returning car distribution authority and enforcement to the industry. The Commission emphasized that it retained the authority to oversee car service activities and to act in emergencies, although the latter authority was subsequently limited by the Staggers Act in section 226, amending 49 U.S.C. 11123(a), to national or regional emergencies. The Staggers Act change, however, did not affect the Commission's authority to issue mandatory car service rules under 49 U.S.C. 11122.

In the Ex Parte 241 (Sub-No. 1) proceeding, the Commission noted that it is not under a statutory obligation to maintain car service rules. Section 11121 of the Act simply provides that the Commission may require the filing of car service rules and their incorporation in carrier tariffs. This authority has been construed to include the power to adjudicate the reasonableness of carrier rules or, if necessary, the power to prescribe mandatory uniform rules. The Commission's discretion extends to relaxing the mandatory rules or returning the development of reasonable rules and their enforcement to the carriers.

The AAR has been given authority by the members to assess fines against carrier members who violate its internal directives and car service rules. Fines have not been levied recently because of the car surplus. However, in 1980 fines of more than $10,000 were levied and collected. In 1979, this figure was $151,300.

SENATOR ANDREWS: Can a shipper approach the Commission with a request for a car service order to alleviate a car shortage? How often does this occur yearly and what action does the Commission generally take? How does the Commission define "shortages?"

ANSWER: A shipper's standing with the Commission is generally construed to be confined to the informal showing that it is being deprived of essential rail service. Once the Commission is made aware of situations where carriers are unable to handle traffic offered to them for movement in a reasonably expeditious manner, it can decide whether to take action. Car service problems, particularly car shortages, occur sporadically throughout the year. This is especially true for equipment involved in volume shipments such as grain. For instance during January, February, and March 1984, there were significant shortages of large capacity covered hopper cars for the movement of grain. While this situation did not require formal Commission action, it did require close surveillance and constant contact with the Association of American Railroads and the involved carriers.

If formal Commission action is required, then the appropriate car service statute is invoked. The number of times this occurs is a function of the market and the economy. The greater the demand for cars, the greater likelihood of Commission involvement.

A car shortage is generally defined as a situation in which orders for equipment exceed a given carrier's ability to supply the equipment within a reasonable period of time.

SENATOR ANDREWS: Can the Commission assess penalties on railroads which ignore Commission car service orders?

ANSWER: The Commission is authorized to seek civil penalties under 49 U.S.C. 11901(e)(1) and (2) for violations of its orders issued under Sections 11123 - 11128. Additionally, 49 U.S.C. 11914(a) provides criminal penalties for any violation of an order of the Commission by a rail carrier. In a related matter, 49 U.S.C. 11907 provides criminal penalties for the giving and receiving of bribes to influence the supply, distribution, and movement of rail cars. The Commission is authorized to compromise any civil penalty claims. However, when a rail carrier refuses to settle the civil penalty claims, the above civil (as well as criminal) penalty action must be referred to the Department of Justice for prosecution in U.S. District Court.

SENATOR ANDREWS: What oversight is being done by the Commission on car service?

ANSWER: The Commission, through its headquarters and field staffs, continuously monitors car service conditions to ensure adequate rail service nationwide. This function is accomplished by observing and reviewing traffic levels at railyards, ports, and major loading and unloading points (such as grain centers), and by attending shipper advisory board meetings to find out what levels and types of traffic activity will be occurring. In addition, many other indicators of regional and national traffic levels and car demand are reviewed regularly to monitor car service. These efforts permit the Commission to be aware immediately of developing car service problems and to resolve many of the developing situations informally. Also the Commission, through its Office of Compliance and Consumer Assistance,

maintains a close liaison with the Association of American Railroads and the American Short Line Railroad Association on car service matters.

CAPTIVE SHIPPERS

SENATOR ANDREWS: Since the Staggers Act, how have railroad freight rates performed relative to costs?

ANSWER: For the most part, on a national scale, we do not believe that there have been major rate increases on captive traffic. However, we have not collected data to make a general comparison of rate and cost increases on captive traffic.

SENATOR ANDREWS: Does the Commission break down rate vs. costs data by region and commodities to identify areas of competitive abuse or captive shippers?

ANSWER: No, the Commission does not develop rate/cost data by region and commodity to identify areas of competitive abuse or captive shippers. Rather, the Commission relies on the formal complainant procedures available to the public to identify potentially abusive situations. Under this procedure, the burden is on the complainant to support such allegations with evidentiary showings, possibly of the level referenced in the question. These data are used in the consideration of market dominance.

As a matter of information, the Commission develops national rate/cost data which may be stratified by region and/or commodity. However, this data is used to develop the Cost Recovery Percentage as mandated by the Staggers Act. The Cost Recovery Percentage (if computed in the range of 170 to 180) sets the benchmark for Commission jurisdiction in rate matters.

SENATOR ANDREWS: How many captive shippers have come forward to institute a regulatory proceeding before the Commission in the last year? What is the status of such proceedings?

ANSWER: In the past year, shippers have filed approximately 55 rail complaints with the Commission. In these cases a shipper is only considered "captive" if the railroad has market dominance over the transportation in question. Otherwise, the Commission has no jurisdiction to adjudicate the reasonableness issue. The law defines market dominance as the absence of effective competition for the transportation to which the rate applies. Of the complaint proceedings instituted during the year, 23 have been discontinued (many for lack of market dominance, but in some instances because the parties reached a settlement). The rest are still pending.

Since March 1983, the Commission has instituted 7 rail investigations. However, because none of these involved the reasonableness of particular rates, the Commission was not required to make a preliminary market dominance finding. Four of these proceedings are still pending.

SENATOR ANDREWS: How often does the Commission agree with the captive shipper's complaint and direct some rate or service relief?

ANSWER: Many of the recent major rail rate reasonableness proceedings involving captive shippers have been reopened and held in abeyance pending the promulgation of final rate reasonableness guidelines. Others, in which the Commission's interim standards will apply, are now in the evidentiary stage. Still other rate

complaints have been settled by the parties and accordingly dismissed by the Commission. It is, therefore, impossible to state accurately the frequency with which the Commission grants rate relief in cases where market dominance exists; however, it is correct to say that only rarely has relief been granted in those cases which have progressed to a final decision since the passage of the Staggers Rail Act of 1980.

SENATOR ANDREWS: Under what circumstances does the Commission consider a shipper to be captive of the rails? Are we moving to a strictly literal definition such as that found in Canada where it is impossible to be a captive shipper if a road runs by your place?

ANSWER: The Commission considers a shipper to be captive when there is an absence of effective competition. Thus, in making this determination in individual proceedings, the Commission's focus is directed to the Congressionally-defined concept of market dominance in terms of "effective competition." (49 U.S.C. 10709.) Obviously, effective competitive pressure or impact can vary in each specific circumstance.

The mere fact that a shipper is located on a highway would not be determinative as to whether particular traffic is market dominant. The Commission has established general evidentiary guidelines, and the factual situation would be examined in light of those guidelines and the specific evidence introduced by the parties. As indicated, the question is not whether there is competition but whether there is "effective" competition.

COAL RATE GUIDELINES

SENATOR ANDREWS: Last year the Commission set new coal rate guidelines for captive coal traffic, allowing rate increases of 15 percent above inflation. Since that decision was served, what has been the trend overall for these coal rates? How does the Commission oversee that these rates are not subsidizing carriers' management inefficiencies?

ANSWER: We do not know what the trend for coal rates has been since the decision was served. This would require an analysis of tariff filings and new contract rates. No such study has as yet been made. We do know that there have been very few protests of new or increased coal rates since that time. In the proceedings in which protestants have alleged management inefficiencies, we have analyzed the evidence but found that the claims were not sufficiently supported.

This issue is under consideration in Ex Parte 347 (Sub-No. 1), Coal Rate Guidelines - Nationwide. We are now evaluating the comments, which suggest various methods of determining whether such inefficiencies exist.

SENATOR ANDREWS: How does the Commission ensure that shippers aren't charged more than the so-called "stand-alone cost" (the cost to serve that shipper alone)?

ANSWER: In Commission proceedings, evidence may be introduced by all parties of record. This evidence may include "stand-alone cost" as perceived by complainants (or protestants) and defendants (or proponents). The Commission carefully evaluates the evidence of both parties and arrives at a conclusion as to the level of "stand-alone cost." The Commission then

compares the rate (or revenue) to the "stand-alone cost" to determine which is greater. In so doing, the Commission ensures that revenue will not exceed the "stand-alone cost."

SENATOR ANDREWS: Commissioner Sterrett's dissent concluded: "Whatever rate guidelines we adopt for captive coal traffic are extremely likely to be the rate guidelines we will adopt for all rail captive traffic." Does this suggest future 15%-over-inflation rate increases for other commodities? If so, which ones? If not, why not?

ANSWER: The issue of whether to apply the final coal rate guidelines as a maximum standard of reasonableness for other commodities is the subject of a petition recently filed by the National Industrial Transportation League. The NITL's petition requests the Commission to open a separate rulemaking for the purpose of determining maximum rate standards for non-coal commodities if, in fact, the agency believes such guidelines are needed. The Commission is currently considering whether a rulemaking proceeding is appropriate in Ex Parte No. 454.

Thus, the current proposal in Ex Parte No. 347 (Sub-No. 1), Coal Rate Guidelines Nationwide, does not apply to commodities other than coal. The Commission indicated, in response to a petition filed by Arkansas Power and Light et al., that any decision to apply the maximum rate policy to traffic other than coal would not be made unless and until ample opportunity is afforded to affected parties to address the propriety of such an action.

EXPORT COAL DEREGULATION

SENATOR ANDREWS: Chairman Taylor, you dissented from the Commission's June 1983 decision to deregulate rates on export coal. Your concerns were that world price competition would not provide adequate protection for domestic coal producers. What has happened to these rail rates since deregulation? Has the exemption led to rate increases and a resulting decline in demand?

ANSWER: The exemption does not appear to be responsible for the decline in demand. We have no evidence that the railroads have increased their export coal rates under the exemption. Numerous factors have contributed to the decline in U.S. coal exports. Most notable are the resurgence of the Polish coal industry, retreating of OPEC oil prices, strength of the U.S. dollar, and increased activity of other coal-producing nations. Our information is that railroads have held the line on export coal rate increases because of market conditions. The concern of many coal exporters appears to be that the railroads are not making drastic reductions in rates to encourage more coal exports.

SENATOR ANDREWS: What impact will deregulation have on U.S. balance of payments if our international customers are wary about fluctuating prices and unreliable supplies?

ANSWER: As mentioned in my dissent, the majority of the comments and the Commission's own Environmental Assessment Statement (EA) support the conclusion that the exemption and concomitant rate increase will result in a decline in demand for export coal. This can only substantially weaken, if not eliminate, a potentially important factor in the restoration of a favorable balance of payments for the United States.

Domestically, a diminishing demand for export coal translates immediately into reduced growth in production in coal supply regions. In fact, the Commission's EA composite case shows that by 1985, Virginia, Utah, and Colorado will experience a complete loss of all export production directly as a result of the declining demand for export coal brought about by increased transportation rates. The EA also indicates that by 1990, there will be substantial declines in the coal productivity of southern West Virginia, Alabama, and Oklahoma, and that by 1995, New Mexico will lose its entire export coal market. Needless to say, losses of this nature would have a severe adverse impact upon the nation's balance of trade, upon primary and secondary employment levels, upon local and regional tax bases, and upon the communities and families dependent on those mines which are forced to decrease or stop production.

Foreign customers, as noted in your question, are greatly concerned with the stability of pricing and the reliability of supply. The numerous comments forwarded to the Commission from foreign governments and coal purchasers in countries such as Japan, Spain, Brazil, Italy, the Netherlands, and Ireland all express the strong fear that price increases and a lack of stability in the delivered price will reduce the attractiveness of U.S. coal as a reliable source and as an alternative for not only foreign coal, but also for OPEC oil and Soviet gas. Significantly, too, these foreign markets, once lost, cannot be easily regained.

The majority apparently felt it unlikely that the Commission's export coal decision would have any significant impact on the U.S. balance of payments. As discussed in the decision, the world market for export coal sets a cap on the delivered price of coal. Given this constraint, they believe the only real question is how the difference between (a) the costs of producing and transporting the coal and (b) the delivered price of the coal, is divided between the producers and transporters. The delivered price, which is subject to intense competition, will remain the same regardless of whether the railroads or producers take a larger share of the "profit." Thus, they feel there should be no effect on the U.S. balance of payments since it is irrelevant to the receiver of the export coal how the profit is divided - the receiver simply wants the coal at a specified cost.

However, it is important to remember the views expressed by many of the parties concerning maintenance of a secure, economic, and competitively priced alternative to unpredictable supplies of imported energy. Clearly, the majority's decision will remove much of the stability long associated with U.S. coal exports, with the result that importing countries may turn elsewhere for such stability. This would only work to the detriment of the U.S. balance of payments situation. Furthermore, it is conceivable that by maximizing their profits on a diminished total amount of export coal, the railroads could further exacerbate the problem.

UNIFORM RAIL COSTING SYSTEM

SENATOR ANDREWS: How many personnel were involved in the Bureau of Accounts developing the Uniform Rail Costing System (URCS)?

ANSWER: Between June 1976 and January 1981, 3 direct staff were assigned to the development of URCS. Until January 1980 these personnel assisted the joint venture of Peat, Marwick,

Mitchell & Co. and Deloitte, Haskins & Sells, the contractors assigned the task of developing the new rail and cost accounting system authorized by Section 307 of the 4R Act of 1976.

In January 1981, an economist and a programmer were added to the staff, increasing the total to the present complement of 5. During the course of the project, statistical assistance was received from the Commission's Office of Transportation Analysis (about 2 staff-years), and expert consultants were periodically used.

SENATOR ANDREWS: In your appearance in front of the House Subcommittee on Appropriations, you implied that two additional personnel would be necessary if the Railroad Accounting Principles Board was established. Why would you need more people to explain your costing system than was necessary to develop the system?

ANSWER: When initially preparing the FY 1985 budget, we had not included any staff for work related to the Rail Accounting Principles Board because at that time there was no indication the Board would be authorized and funded. Should the Board be established, we do not view it as a substitute for the Uniform Rail Costing System (URCS). Consequently, it would not affect our staff effort devoted to URCS in FY 1985.

URCS is a costing tool for processing actual data and developing unit costs. The Board, on the other hand, will be addressing issues from a much broader perspective. For example, it may study the use of inflation-adjusted data and the current cost of capital, as well as develop costing principles. In the meantime, we will continue to improve and refine URCS, update costs using the most current data, and publish the results.

We have estimated that the 2 additional staff-years will be needed to provide information and expertise to the Board on the Commission's accounting and costing systems, to advise the Commission's representative who is to serve as a member of the Board, and to respond to Board proposals.

SENATOR ANDREWS: The Uniform Rail Costing System being proposed replaces "Rail Form A" which has been in existence for nearly 34 years. Why does the Commission believe it essential to implement the new system right away? After a wait of 34 years, what harm is done by waiting to allow development and review of a rail cost accounting system by the Railroad Accounting Principles Board?

ANSWER: URCS has been in development since 1976. In September 1981, the Commission published the Preliminary 1979 Rail Cost Study, which introduced URCS and requested informal comments. In December 1982, the Commission released the 1980 Railroad Cost Study, which addressed many of the comments received in response to the preliminary study. The Commission is currently involved in a rulemaking proceeding which was opened in January 1983. This rulemaking (Ex Parte No. 431) invited formal comments on URCS.

URCS represents a substantial improvement over Rail Form A. It is directly linked to the new railroad Uniform System of Accounts which the Commission implemented in 1978, as required by the Railroad Revitalization and Regulatory Reform Act of 1976. The new accounting system captures more detail and higher quality data than the one it replaced. This allows URCS to develop more refined cost estimates than is possible with Rail Form A. URCS includes a new variability study based on current carrier data and

annualizes the expenses over various periods, up to five years, to even out the fluctuations in the maintenance cycle. All of these improvements result in better estimates of cost than is possible with Rail Form A.

URCS includes a computerized Phase III movement costing program which makes it very easy and cost effective for small shippers to develop movement cost data. This program has been released to a number of shippers. Private companies have developed versions of the Commission's Phase III program for use with small personal computers. These programs will also increase the ease and decrease the cost of making movement cost estimates.

If URCS is delayed, it will also mean the continued use of Rail Form A. This is not without problems. In fact, only railroads which maintain the previous system of accounts can genuinely apply Rail Form A today. For others to continue using Rail Form A, it is necessary to convert the new Uniform System of Accounts to a Rail Form A input format. The problem with this procedure is that it requires allocation of numerous accounts. These allocations, which are in some cases arbitrary, make the use of Rail Form A difficult and subject to estimation errors. Further, the Rail Form A variability study is outdated and based on less sophisticated regression procedures than are used in URCS.

In view of the promise URCS holds as a superior costing tool to Rail Form A, and because the industry and the public have had an opportunity to contribute to its development through the rulemaking process, we believe it is not necessary to postpone implementation of URCS pending its review by the Railroad Accounting Principles Board. Implementation of URCS would not preclude the Board from recommending changes. In fact, practical experience with the URCS system should enable the Board to better assess its efficacy.

SENATOR ANDREWS: Have comments received by the Commission been running for or against URCS? Who would like the system adopted now and who would like the system postponed?

ANSWER: Seventeen (17) statements were received, of which four want immediate adoption, four offered suggestions but did not comment on adoption, and nine want postponement.

The railroad industry, the New Jersey Department of Transportation, Coastal States Energy Company, and the Burlington Northern Railroad Company want immediate adoption. Those who expressed no opinion were primarily independent analysts or academics. Shippers and receivers of coal for use in energy production composed the bulk of those wanting postponement, along with the National Industrial Transportation League.

SENATOR ANDREWS: Is it true that the proposed system allows carriers to report more of their costs as variable costs, thus allowing even higher rates to be charged to shippers?

ANSWER: Carriers do not report variable costs to the Commission. Carriers report total expenses and operating data which is used by the Commission to develop variable cost estimates. In the past, Rail Form A has been used to accomplish this task. The variability estimates developed by Rail Form A were based, in part, on a variability study conducted in 1971 using data for the years 1966 through 1970. The regression procedures used to conduct that study, which were far less sophisticated than those used in the URCS study, developed national variability factors for 12 groups of accounts. These percents variable, when applied to Rail Form A, developed an

overall percent variable of approximately 80 percent. Since the Rail Form A study did not develop individual carrier variability factors, the national percents variable were applied regardless of the operating characteristics of the railroad.

URCS uses a superior procedure to produce its variability factors. The URCS regression study develops an equation for each of 15 account groups, which can be applied to produce individual carrier variability factors, based on the carrier's operating characteristics. This procedure results in more accurate individual carrier cost estimates than are possible with Rail Form A.

Rail Form A applied national average variability factors which were too high for some carriers and too low for others. URCS's individual variability factors, by contrast, reflect the carrier's current operating characteristics. These will be lower than the Rail Form A factors for some carriers and higher than the Rail Form A factors for others. If, in any one instance, the Commission-developed cost estimates for a particular carrier reflect higher variable costs, it is because of that particular carrier's operating characteristics, derived from actual expenses and operating data. The URCS system does not incorporate any system bias which would necessarily yield higher variable cost estimates, just more accurate cost estimates.

It is interesting to note, that a comparison of the overall national variable expense ratio developed from regional applications of URCS and Rail Form A revealed little difference. The 1980 Rail Form A cost study produced a national variable expense level of 79.5 percent. Whereas, the 1980 URCS cost study developed a national variable expense level of 80.5 percent; a difference of 1 percent.

SENATOR ANDREWS: What is the Commission's position regarding the recently passed House bill which delays implementation of URCS until after the Railroad Accounting Principles Board has been established?

ANSWER: The Commission opposes delaying the adoption of the Uniform Rail Costing System until the Railroad Accounting Principles Board has developed its cost accounting principles. There are a number of reasons why the implementation of URCS should not be delayed.

URCS has been under development since 1977. It has been subject to substantial public review, both formal and informal. The staff believes that any serious flaws and errors in the system have been resolved. Although we are continuing research on further refinements, it appears that the URCS system is superior to its alternative, Rail Form A.

URCS has been designed to be more accurate and detailed than Rail Form A. It overcomes a number of the flaws Congress identified when it passed the 4R Act of 1976. URCS is primarily oriented to individual carriers and specific equipment costs. Rail Form A, on the other hand, relies heavily on broad averages. With increased emphasis on movement and commodity specific costing, the URCS approach is more desirable to both the railroad industry and those who ship by rail.

More importantly, the Rail Form A cost equations are based on pre-1970 data. The propriety of using these calculations in 1984 and beyond is certainly questionable. In addition, our analysis of the Rail Form A cost equations themselves suggests that they may be based on faulty assumptions, primarily because the state of the art has advanced significantly since 1968-69. Several years have been devoted to developing new and more accurate cost

equations for URCS. Also, we plan to test them each year with the availability of new annual data. Thus, the URCS equations will always be current and will yield the most precise estimates on cost variability and unit costs.

Delaying URCS until the Railroad Accounting Principles Board has reviewed the system and commented on it in its report means that the system will not be available for several years. During that period, the accuracy of Rail Form A costs could deteriorate further. Once the Railroad Accounting Principles Board passes judgment on URCS, it again would have to be subject to rulemaking which would further delay its use.

Implementation of URCS in the near future would not preclude the Railroad Accounting Principles Board from reviewing it and recommending changes. In fact, extensive field use of URCS would aid in evaluating the system and provide a sound basis for recommending changes.

SENATOR ANDREWS: Is the Commission statutorily obligated to implement URCS at this time? Couldn't the Commission make modifications to the existing Rail Form A in the interim? If not, why not?

ANSWER: The Commission is not statutorily obligated to implement URCS at this time. Section 307 of the 4R Act of 1976 required the Commission to develop and prescribe a new rail revenue and cost accounting system. The new Uniform System of Accounts became effective January 1, 1978. URCS is the costing tool which uses data generated by the revised accounting system. It is essentially a revised Rail Form A, which incorporates accounting revisions, updates the variability (regression) study and annualizes the expenses over a five-year period.

Prior to URCS, Rail Form A was reviewed and revised annually. However, the major accounting revisions instituted in 1977 could only be incorporated into Rail Form A with much greater effort than has been required in the past. Further, this would require numerous arbitrary allocations subject to estimation errors. The change would be particularly expensive, if expense by car type and the natural expense separations were recognized. An updated variability study would be a major point of contention. The effort to produce a revised Rail Form A would be as great as that expended on URCS, which took several years.

SPECIAL COUNSEL

SENATOR ANDREWS: What is the breakdown of the Special Counsel's Office workload? How much time and resources are expended in the rail and bus abandonment areas?

ANSWER: For fiscal 1984, the Office of Special Counsel workload is estimated to be:

Staff-Years	Function
5.4	- Assisting the public with participation in Commission proceedings
2.5	- Counseling the public
.1	- Commenting internally on the public viewpoint
1.0	- Administration
9.0*	

The time and resources spent on rail and bus abandonments are:

Staff-Years	Substantive Area
3	- Rail Abandonments
2	- Bus Abandonments

* In fiscal 1982, the Office of Special Counsel workload required 12 staff-years, consisting of a staff of 10 plus 2 staff-years in support from Office of Proceedings attorneys and the Managing Director's word processing center. Although the staff ceiling was reduced to 8 in fiscal 1983, the Chairman has allowed an overage to remain so that 9 staff-years may be used.

SENATOR ANDREWS: The Report on The Intercity Bus Industry was issued in late January of 1984. Is work on bus abandonments still being done by this Office? Why? What benefit do you expect to receive from this work?

ANSWER: The Intercity Bus Industry report was not issued by the Office of Special Counsel (OSC). That report was a staff study produced by the Office of Transportation Analysis.

The Office of Special Counsel has released two publications relating to the Bus Act: (1) "Public Participation in Interstate Commerce Commission Cases Under the Bus Regulatory Reform Act of 1982," which is a guide to ICC Bus Act cases involving preemption of State authority over intrastate rates and exit; and (2) "Variable Cost and Revenue Issues in Intrastate Rate and Exit Cases Under the Bus Regulatory Reform Act of 1982," which deals with certain technical issues. The Office of Special Counsel has already published a revision of "Public Participation" to reflect Commission decisions and will release a third edition shortly. A revision of "Cost and Revenue Issues" is underway.

In addition to these publications, OSC has counseled nearly all of the State officials involved in the twenty-eight bus discontinuance cases and thirty rate preemption cases that have been considered by the Commission.

The Commission benefits from these guidebooks because they enable States and other public parties to present their views before the Commission and this results in decisions based on more complete records. OSC provides a source of information about Commission practice and precedents. Ready access to this assistance and counselling is very important, especially to those unfamiliar with the ICC, in view of the short timeframes permitted for final decision. No matter what the ultimate resolution of any particular case might be, OSC's availablity gives participants a greater sense that they have had fair access to the decisionmaking process.

SENATOR ANDREWS: How much of the Special Counsel's Office is spent in the area of rail abandonments and especially the small shipper area? What are the products (or results) produced by the Office in this area?

ANSWER: In Fiscal Year 1983, approximately four staff-years were devoted to rail abandonments. More than 3,000 miles of railroad were proposed for abandonment in that year. In 1984, the Office of Special Counsel (OSC) expects to employ four staff-years on rail abandonments and related work. Most of these abandonments have their most severe impact on small shippers.

The office produces tangible products in the form of informational handouts and is in the process of preparing for public distribution two booklets concerning rail abandonments. One will assist the public in becoming involved in and participating in rail abandonment cases; the other will deal with meeting the regulatory steps necessary to establish a short-line railroad, a situation that sometimes develops after abandonment is sought.

The other products or results of the office's work cannot be quantified. The product in most cases is a better record on which the Commission can make its decision. The office assists those who seek its advice concerning the factors to bring out in their testimony (whether oral or written.) This enables these small shippers and farmers to get relevant practical information about their farms and businesses on the record for the decisionmakers. The Commission is better able to reach a reasoned decision when it has all the relevant facts before it.

SENATOR ANDREWS: On page 47 of the Budget justification, it was stated that the Office of Special Counsel has aided State agencies and local communities in presenting their evidence and arguments. Please tell the committee those States and local communities assisted by this Office, whether they were in the bus or rail area, the arguments presented, the type of assistance provided and the results of those efforts.

ANSWER: The Office of Special Counsel (OSC) has provided assistance to every State in the lower 48 on bus and/or rail matters. The eleven Passenger Bus Seminars conducted by the office in May and June of 1983 were attended by more than 100 public representatives on behalf of 30 States. The two bus publications produced by OSC have been sent to every State bus regulatory body in the country. The publications and seminars

have alerted every State to the office's availability, and OSC has had a constant stream of inquiries from and meetings with, States on bus rate and exit cases.

To date, thirty bus rate increases have been appealed to the Commission, affecting Alabama, Arkansas, California, Georgia, Illinois, Kansas, Louisiana, Massachusetts, Missouri, New York, North Carolina, Oklahoma, Oregon, Rhode Island, Tennessee, Texas, Washington, and West Virginia. Twenty-eight bus exit cases have been appealed to the Commission, affecting Alabama, California, Georgia, Kansas, Kentucky, Louisiana, Minnesota, Nebraska, North Carolina, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, Washington, and West Virginia. OSC has provided assistance to all these States. The individual communities affected would count in the thousands.

Typical of the assistance provided is the West Virginia case, where OSC was contacted by the West Virginia Public Service Commission to assist it in its efforts to preserve bus transportation that Virginia Stage Lines, Inc., was seeking to eliminate in Kanawha, Boone, Logan, Wyoming, and McDowell counties. OSC provided information on legal and technical issues for the State, explaining which arguments have been used before in similar proceedings and the history of success of parties using these arguments.

In the rail area, the office has been involved in every rail abandonment set for oral hearing in fiscal year 1983 and to date 1984, in addition to providing assistance to parties in rail abandonments scheduled for modified procedure. Abandonments involving oral hearing have occurred in Tuscaloosa, AL; San Diego, Eureka, Willits, and San Francisco, CA; LaSalle, IL; Lewistown, MT; Pierre and Philip, SD; and McMinnville, TN.

Typical of the assistance provided by OSC in rail abandonments is the case of the Chicago and North Western's proposed abandonment between Pierre and Rapid City, S.D. The Special Counsel provided information regarding procedural matters to a local attorney retained by the Southwestern South Dakota Grain Producers Association on ICC practice and procedure. Based on the public evidence at the hearing, the administrative law judge denied the abandonment.

BUS DEREGULATION

SENATOR ANDREWS: What has been the Commission's experience with implementation and monitoring of bus deregulation? Is it the Commission's position that you are implementing the law?

ANSWER: We believe that the Bus Regulatory Reform Act provides a balanced approach, which is the most practical and efficient means available to maintain adequate service. The Commission has moved forward to implement the provisions of the Act, keeping in mind the Congressional findings which emphasize that the objectives of the national transportation policy can best be met through greater competition and reduced regulation. A more competitive environment has already developed in the bus industry, as carriers have moved to adjust their fare schedules and rationalize their route structures.

Under the Bus Act's eased entry standards, major carriers have made additions to their existing route structures in order to rationalize their systems. Many smaller carriers have also

utilized this opportunity to enter into or expand existing regular route operations. There has been a dramatic increase in charter services, which require very low start-up or capital costs.

The industry has also taken considerable advantage of the rate freedoms contained in the Bus Act. Although the major carriers have established a number of discount programs, fare increases have also occurred on certain routes as the industry struggles to overcome its generally weakened financial condition resulting from the recent recession. The carriers have also taken steps to raise fares for certain intrastate routes which were previously non-compensatory.

One of the major concerns with the Bus Act, as with regulatory reform of any mode of transportation, has been the effect on service to small communities. Since enactment of the Bus Act, Greyhound and Trailways have proposed to drop or have dropped numerous points from their route systems. In the case of smaller carriers, however, it appears that few are dropping service to points they have been serving. The discontinuances that have occurred are, for the most part, not an unexpected nor unintended result of the Bus Act, since one of the goals of the Act is to provide carriers greater entry and exit freedoms so they can best reorganize and rationalize their route structures.

Nevertheless, the Commission is concerned about the effects of route discontinuances and fare adjustments on the bus industry and the public it serves. Therefore, we have conducted or have underway several projects designed to monitor and assess the impacts of regulatory reform. The Commission's Office of Transportation Analysis conducted an extensive study on the status of the industry and the initial impact of reform and issued a report, entitled "The Intercity Bus Industry", in January 1984. The Commission is also conducting a study with the U.S. Department of Transportation on intercity bus terminals and stations. Commission staff is currently analyzing the data collected in order to determine the pattern of ownership, location, and adequacy of the present terminal network. The results of this study should be available this summer. The Commission has also conducted a survey of bus passenger complaints to State regulatory commissions and to the ICC. In addition, the Commission analyzes financial data on the bus industry on an ongoing basis in order to monitor its financial performance.

We believe that our implementation of the Act has been in accordance with the Act's provisions and Congressional intent. While it may be another year or two before the effects of passage of the Bus Act are fully realized, the Commission believes that the industry is already responding positively to the operational freedoms afforded by the Act and that the end result will be improved price and service options for bus passengers.

SENATOR ANDREWS: How many bus cases have been appealed to you? Are all of the cases forwarded by the various State Commissions appeals by carriers? What kind of cases have been referred to you? What were the Commission's findings on those appeals? (i.e., by State, the type of appeal, the number of appeals granted and the number denied.)

ANSWER: From November 19, 1982, the effective date of the Bus Regulatory Reform Act of 1982, through April 9, 1984, 59 petitions have been filed with this Commission seeking review of State action in bus cases. Each petition was filed by a carrier after a State proceeding in which the State either denied

permission, in whole or in part, to exit intrastate passenger routes, or denied permission, in whole or in part, to increase intrastate passenger fares, or failed to act finally within 120 days after the carrier requested permission of the State either to discontinue service or increase fares.

There have been 28 petitions to discontinue service over routes in 16 States, and 31 petitions to increase fares in 17 States:

Alabama	- 1 exit petition granted (Trailways Southern Lines, Inc.); 1 rates petition pending (Greyhound Lines, Inc.)
Arkansas	- 2 rates petitions granted (Trailways Lines, Inc., and Greyhound Lines, Inc.)
California	- 1 exit petition pending (Greyhound Lines, Inc.); 1 rates petition granted (Greyhound Lines, Inc.)
Georgia	- 1 exit petition dismissed for lack of jurisdiction (Greyhound Lines, Inc.); 1 rates petition granted (Greyhound Lines, Inc.)
Illinois	- 1 rates petition granted (Peoria-Rockford Bus Company)
Kansas	- 4 exit petitions granted (Greyhound Lines, Inc., Trailways Lines, Inc. (2), and Oklahoma Transportation Company); 1 rates petition granted (Greyhound Lines, Inc.); 1 rates petition granted but pending petition to reopen (K G Lines, Inc.)
Kentucky	- 1 exit petition pending (Greyhound Lines, Inc.)
Louisiana	- 1 exit petition granted (Greyhound Lines, Inc.); 2 rates petitions granted (Greyhound Lines, Inc., and Trailways Lines, Inc.); 1 rates petition pending (Greyhound Lines, Inc.)
Massachusetts	- 1 rates petition dismissed for lack of jurisdiction (Peter Pan Bus Lines, Inc.); 5 rates petitions granted (Greyhound Lines, Inc. (2), Bonanza Bus Lines, Inc., and Plymouth & Brockton Street Railway Company (2))
Minnesota	- 1 exit petition granted (Greyhound Lines, Inc.)
Missouri	- 1 rates petition dismissed for lack of jurisdiction (Greyhound Lines, Inc.); 3 rates petitions granted (Jefferson

Lines, Inc. (2), and Trailways Lines, Inc., American Buslines, Inc., and Midwest Buslines, Inc.)

Nebraska - 2 exit petitions granted (American Buslines, Inc., and Greyhound Lines, Inc.)

New York - 1 rates petition granted (Greyhound Lines, Inc.)

North Carolina - 1 exit petition granted (Trailways Southeastern Lines, Inc.); 1 rates petition granted (Carolina Coach Company)

Oklahoma - 5 exit petitions granted (Greyhound Lines, Inc., Trailways Lines, Inc., Oklahoma Transportation Company (2), and Missouri, Kansas and Oklahoma Coach Lines, Inc.)

Oregon - 1 exit petition granted (Greyhound Lines, Inc.); 1 rates petition granted (Greyhound Lines, Inc.)

Pennsylvania - 1 exit petition granted (Greyhound Lines, Inc.)

Rhode Island - 1 rates petition granted (Bonanza Bus Lines, Inc.)

Tennessee - 2 exit petitions granted (Greyhound Lines, Inc., and Trailways Tennessee Lines, Inc.); 1 exit petition pending (Trailways Tennessee Lines, Inc.); 2 rates petitions granted (Greyhound Lines, Inc., and Trailways Tennessee Lines, Inc., Trailways Southern Lines, Inc., and Trailways Southeastern Lines, Inc.)

Texas - 1 exit petition granted in part (Greyhound Lines, Inc.); 1 rates petition granted (Trailways Lines, Inc, Inc; 1 rates petition granted but pending petition to reopen (Greyhound Lines, Inc.)

Washington - 1 exit petition granted (Greyhound Lines, Inc.); 1 rates petition granted (Greyhound Lines, Inc.)

West Virginia - 3 exit petitions granted (Greyhound Lines, Inc. (2), and Virginia Stage Lines, Inc.; 1 rates petition pending (Greyhound Lines, Inc.)

Summary:

Exit petitions	- granted	- 25 (1 partial)
	- dismissed	- 1
	- pending	- 3
Rates petitions	- granted	- 26 (2 pending petitions to reopen)
	- dismissed	- 2
	- pending	- 3

SENATOR ANDREWS: How many personnel are involved in bus deregulatory matters? In what offices are these people located? What are their primary responsibilities in the bus area (describe by office)?

ANSWER: Commissionwide, 28 staff-years are devoted to bus deregulatory matters. These resources are located in the Offices of Transportation Analysis, Compliance and Consumer Assistance, Proceedings, Legislative Counsel, General Counsel, Special Counsel, and Small Business Assistance.

The primary responsibilities of these personnel, by office, are as follows.

The Office of Transportation Analysis (OTA) has the lead responsibility on impact studies associated with deregulation, and continuous monitoring of carrier rate activity, new services and other industry changes subsequent to the Bus Act. OTA completed its first study and published the report, The Intercity Bus Industry, in January 1984. Currently, this office, in a joint effort with the Department of Transportation, is engaged in the bus terminal study. The Office of Compliance and Consumer Assistance has assisted and continues to assist OTA on these studies, providing field staff to collect information and monitor activity related to deregulation.

The Office of Proceedings processes licensing applications and restriction removal requests. This office is also responsible for preparing Commission decisions under the rates and exit preemption sections of the Bus Regulatory Reform Act of 1982. Any rates complaints or investigation proceedings are also handled by the Office of Proceedings, as are bus transfer or control proceedings.

The Small Business Assistance Office is responsible for disseminating information to and assisting small and minority businesses. In this context, the office routinely handles visitor, telephone and written inquiries concerning bus passenger services. The vast majority of these inquiries relate to requests for information on entry into the field. This office becomes involved with all phases of the entry process, from providing general information to assisting in completing application forms, in filing passenger carrier tariffs, and in helping carriers comply with insurance requirements. As part of this office's responsibility to disseminate information, SBAO authors and distributes public advisory booklets designed to answer basic questions on the industry and assist small businesses in working within the regulatory process. The office is also actively involved in the presentation of Passenger Bus Seminars held throughout the country.

The Office of Special Counsel provides resources for bus deregulatory matters in several areas. The primary responsibilities are: conducting educational seminars on bus

issues for State regulators and members of the public; compiling and distributing information booklets on intrastate bus rate and exit appeals cases; responding to inquiries from State regulatory commissions, bus passengers, legislators and others by offering advice on ICC regulations and procedures; and, providing copies of regulations and pleadings, information on deadlines, and monitoring the Commission's receipt of pleadings.

Synthesizing all of the Commission's activities in bus deregulatory matters, the Office of Legislative Counsel prepares testimony on the implementation of the Bus Act and its effects on the industry and the public. This testimony is prepared for annual oversight hearings of both the House and Senate. This office also analyzes any proposals introduced to amend the Bus Act and monitors progress on these proposals for the Commission.

Finally, the Office of General Counsel handles any court cases which involve the Commission's interpretation of the Bus Act. Currently, this office is working on several courts of appeals cases involving interpretation of the Bus Act's provisions for entry, intrastate exit, and intrastate rates.

SENATOR ANDREWS: The Commission's report on January 1984, The Intercity Bus Industry, concluded that the Bus Regulatory Reform Act of 1982 is working well. Yet in the report (page IX) you state that of 1,294 points that were to be dropped by intercity regular route carriers, 1,045 points retained no alternative intercity bus service. Do you think bus deregulation is working well for them?

ANSWER: It is an unfortunate fact that most legislation produces some losses as well as gains for certain groups in the economy. Citizens in those communities that no longer have direct access to bus service have lost a transportation option that in the past may have been cross-subsidized by fares paid by travelers from other communities. Yet this increased freedom to eliminate routes and points was an integral part of the Act. Many carriers could be financially disadvantaged if they faced new competition over formerly protected interstate routes while, at the same time, they were required to continue to provide other services at fare levels that did not cover variable costs.

This service loss should be placed in context. It is not directly related to the Bus Act, but is instead part of a long-term trend. One study in 1978 suggested that approximately one-half of communities with population under 10,000 were not at that time served directly by the intercity bus industry. Another study, by the Department of Transportation, estimated that approximately 1,800 places had lost all intercity bus service between 1972 and 1979.

Of the 1,045 communities that were reported to us as having lost all service since the Bus Act, 269 were within larger urban areas. These communities are usually not part of a route that has been abandoned, but rather a stopping point into and out of the larger urban area. Service is diminished for those individuals who had utilized service at that point but may have increased for other passengers on the route who now have more direct service.

Just under 2 million individuals reside in these 269 communities. They typically have access to alternative service about ten miles away within the larger urban area, as well as a local urban transit system to reach the alternative service. Thus, even though the travelers residing in these communities have

lost direct intercity service, they face diminished service levels, rather than complete cessation of or access to intercity bus service.

The remaining 776 communities that lost all intercity bus service tend to be small and self-contained and are not part of a larger urban area. Intercity service is usually available at a neighboring community about 17 miles away, but there typically is no local transit system linking the two communities. Just over 1 million people, or one-half of one percent of our population, live in these 776 communities. They face the greatest impact of service diminution since passage of the Bus Act.

SENATOR ANDREWS: Bus service is most crucial (using your categories) for travelers that tend to have incomes that are lower than the national average. Young people, senior citizens, students, members of the armed services, women and minorities are a higher proportion of bus passengers than their percentage representation in the Nation as a whole. What do these captive groups have as an alternative? Please elaborate.

ANSWER: For many members of these groups, regular route intercity bus travel is discretionary travel. Forming long-distance car pools at universities or military bases, banding together to form charter groups, and utilizing low cost, no frills airlines are all viewed as alternatives. For these reasons, the bus industry believes that members of these groups are particularly sensitive to the price of bus travel. It is this price sensitivity that protects these groups from abusive pricing practices. This was so even prior to passage of the Bus Act.

For example, three groups that are often considered to be somewhat captive to the industry, the elderly, students, and military personnel, are believed by the industry to be so price sensitive that the price discrimination that exists favors them in the form of class discounts. Notable among these are Greyhound's and Trailways' 10-percent discount for senior citizens, and Trailways' additional 5-percent discount for members of the American Association of Retired People , and a wide variety of discount plans for military personnel, some of which include immediate family members. Many carriers, such as Greyhound, periodically offer special prices and add scheduling during peak demand periods into and out of university communities.

SENATOR ANDREWS: When Greyhound or Trailways discontinues a bus route, does anyone come and take their place? Why not? Does your Commission take into account the unique duopoly powers of the bus industry giants?

ANSWER: The Commission does not have records on whether particular services abandoned by Greyhound or Trailways continue to be offered by replacement carriers, or whether particular intrastate or interstate replacement authority has been sought. However, the evidence in some exit proceedings does show that certain carriers are willing to provide service over routes or route segments or to points sought to be abandoned. In other cases, there also has been evidence presented showing some form of alternative service already available, by either the existing carrier offering transportation over proximate routes or at nearby service points, or by another carrier operating over the route or to the points to be abandoned.

The eased entry requirements of the Bus Act make it easy for any carrier to obtain interstate and intrastate authority to begin a new operation to meet demands for service over abandoned routes. Routes that cannot be operated economically and efficiently by national carriers such as Greyhound and Trailways probably can be operated more appropriately through local management. If the level of interest of existing and potential users is reasonable, then new services can be profitable and are likely to be offered. However, if the interest is such that services are likely to be unprofitable or are viable only with financial assistance through either cross-subsidy or government aid, then it is not reasonable to expect a new carrier to consider such abandoned routes as targets of opportunity.

In reaching a decision on exit requests, the Commission balances the interests of States and local communities in support of a carrier's continuing its services against the policy of the Bus Act that favors exit from unprofitable routes and the goals of the national transportation policy of allowing the most productive use of equipment and energy resources, enabling efficient and well-managed carriers to earn adequate profits and attract capital, and improving and maintaining a competitive privately-owned motor carrier system. Large carriers, particularly Greyhound and Trailways, certainly appear better able to bear the financial burden of an unprofitable route. However, the Bus Act directs reduction or elimination of cross-subsidies wherever possible so as to ensure the continued operations of a national network of bus service in private enterprise.

SENATOR ANDREWS: Did Greyhound use the occasion of its strike to drop service to communities it didn't want to serve? What happened to the carriers that were given temporary authority by the ICC during the bus strike? Are any of them still using it to compete?

ANSWER: There is no indication that Greyhound used the occasion of the strike to drop service. This view is based upon the absence of any complaints received by the Commission alleging the failure of that carrier to restore service in the post-strike period.

At the beginning of the strike, the Commission activated General Temporary Order (GTO) No. 22. This Order provided expedited procedures for applicants to follow in securing short-term authority which expired when the strike ended. In all, 33 grants of authority were approved under the GTO, along with five separately filed and approved emergency temporary authority applications. To the best of our knowledge, the carriers provided service during the strike to the points requested and approved in their GTO applications.

Subsequent to the strike, one carrier that had a permanent authority application pending at the time it received authority under the GTO has been granted permanent operating authority. In addition, four other carriers that received short-term authority during the strike filed applications for permanent authority. Those cases are now pending with the Commission. Three of these carriers were granted temporary authority and are now operating under that authority.

SENATOR ANDREWS: Is one of the problems with new carriers failing to enter the market that Greyhound won't allow them to use

its terminals? Does the Commission need legislative authority to compel bus companies --and Amtrak -- to establish true intermodal terminals, as is commonplace in Europe?

ANSWER: Greyhound has had a moratorium on acceptance of any new carriers in their terminals since 1980. However, this apparently has not stopped new carriers from entering the regular route bus market since that time. Preliminary analysis of the survey results from the Bus Terminal Study show that few carriers are unable to operate a desired route because of problems with gaining access to terminals. In conversations with carriers denied the use of Greyhound terminals, they explain that they are able to find alternatives, such as using a commission agent who operates a retail business but is willing to sell bus tickets, use the Trailways or some other carrier's terminals, share mass transit bus terminals, or provide only sidewalk curb service adjacent to the Greyhound terminal for loading and unloading passengers. While not ideal (due to the loss of some interlining revenues from Greyhound), these alternatives permit the carrier to operate the desired routes. Thus, while Greyhound's moratorium may be an initial deterrent for new carriers, they eventually should be able to discover alternatives to the established bus terminals to enable them to operate new service routes.

The intermodal terminals in Europe are usually part of government-owned or subsidized passenger bus and rail systems which are integrated to complement each other. In contrast, the intercity bus industry in this country is a private enterprise which, in some transportation corridors, competes with the government subsidized Amtrak. In such cases, the bus companies prefer to establish separate terminals, the costs of which are well established. The costs of intermodal terminals for the intercity bus companies are not as well established. In an increasing deregulatory environment, we believe bus companies need to maintain control over their costs and respond to pressures from competition without government interference. Therefore, it does not appear that legislation authorizing the Commission to compel bus companies to establish intermodal terminals with Amtrak is necessary at this time.

SENATOR ANDREWS: Would it be fair to say that bus deregulation has been successful only for the bus companies, in that they are completely free to drop service when and where they want? If there are other benefits like reduced fares, more services, etc., please share them with the Committee. Haven't more fares on more routes increased rather than decreased? Isn't this free market supposed to provide more service at lower costs?

ANSWER: Analogies can be drawn between the timing of the impacts of the Bus Act and the Motor Carrier Act of 1980. Initially, regulatory reform of motor carriers of property had its most significant impact in the rapid entry and dramatic price and service competition in the truckload area. The effects of entry in the less-than-truckload (LTL) area, in terms of significant price and service competition, were somewhat slower to emerge, since firms required more time to expand in this area. Eventually, LTL competition came to dominate discussions concerning impacts of the Act.

Similarly, the major initial competitive impacts of the Bus Act have been in the area of charter service. The Commission has received approximately 2,000 applications for charter authority

since the Act, about half of them from new carriers. As with truckload freight, price and service competition in the charter sector have been immediate and significant. Church groups, elderly associations, school groups, and others have taken advantage of this new competition.

Price and service competition in the area of regular route service have also increased since the Act. Trailways acted to rationalize and simplify its entire fare structure in an attempt to make fares more cost-based and equitable for its passengers. Greyhound confronted its union, was struck, and eventually received signficant wage concessions so that it could better compete in an environment of regulatory reform. It has also offered major price discounts to win back market shares lost during the strike.

One possible impediment to full price competition among bus firms offering regular route service is the antitrust immunity retained by the carriers under the Bus Act which permits collective discussion of general fare increases, broad tariff restructurings, and promotional and innovative fares. The major carriers utilized this immunity to implement a 10-percent general increase in interstate fares in March 1983. They have also utilized this immunity to form an Ad Hoc Committee on Bus Industry Viability within their rate bureau, the National Bus Traffic Association. The result of several public meetings of this Committee last fall was an agreement among the major carriers to replace the $99 maximum one-way fare that had been in effect for over one year with a series of new zones peaking at $149. It is unlikely that such a result could have been achieved without the antitrust immunity that permitted collective discussion of the new fare arrangement. Thus, some fares have been raised as a result of the degree of antitrust immunity which was not affected by the charges mandated under the Bus Act.

SENATOR ANDREWS: Does the public have a right to appeal to the Commission if the state grants approval of service cancellation?

ANSWER: Section 16 of the Bus Regulatory Reform Act of 1982 (Bus Act) provides that a carrier may petition the Commission for permission to discontinue intrastate transportation or to reduce its level of intrastate weekday service to a level that is less than one trip per day, when its request with the State for such permission has been denied, in whole or in part, or when the State has not acted finally on such a request by the 120th day after the carrier made it. The statute does not provide the public a right to appeal to the Commission if the State grants approval of service cancellation. At the time the Bus Act was enacted it was contemplated that the States would play an active role in the decisionmaking process and thereby assure protection of the public interest.

REVENUE ADEQUACY

SENATOR ANDREWS: Is it the Bureau of Accounts that makes the Commission's decision on revenue adequacy? Could you tell this Committee what efforts the Commission has undertaken to account for the revenues or assets held by the railroad holding companies or railroad subsidiaries when making revenue adequacy decisions?

ANSWER: The Bureau of Accounts makes the annual determinations of revenue adequacy for each Class I railroad. These determinations are based on application of financial data, supplied by the railroads in their Annual Reports to the Commission, to the current revenue adequacy standard(s) determined by the Commission. The Commission, not the Bureau of Accounts, determines the standard(s).

The revenue adequacy procedures currently in effect (Ex Parte 393, Standards for Railroad Revenue Adequacy, served March 31, 1981) do not make any provisions for revenues or assets held by railroad holding companies or railroad subsidiaries. Only the assets and revenues from railroad operations for the individual Class I railroad operating companies are considered. The Commission sought public comment in the notice in Ex Parte 393 (Sub-No. 1), Standards for Railroad Revenue Adequacy, served March 9, 1983, on whether Class I railroads under common ownership should be combined in future revenue adequacy determinations. The Commission, does propose in Ex Parte 393 (Sub-No. 1), supra, to recognize in the computation of return on investment the revenues, expenses, and assets of railroad subsidiary companies which exist to support rail operations (i.e., firms that lease rolling stock to the railroads, switching and terminal companies, etc.). However, this proceeding does not include holding companies because these companies do not provide rail transportation.

SENATOR ANDREWS: Does the Commission know how much land holdings these railroads have when they come before you to raise their tariffs? Does the Commission have any idea how much these land holdings are worth either because of their location or value because of timber or minerals? Does the Commission know how much of the land holdings of the railroads and for their subsidiaries is because of land grants?

ANSWER: Prior to 1964, the Commission employed a property valuation system called "cost of reproduction new" which precisely valued and described each railroad property including its size, location, how it was acquired, and known timber and mineral resources. Since 1964, the Commission has used the "book cost" property valuation system which obviated the need for the detailed information required under the former system. While the carriers have been relieved from filing reports with the Commission detailing changes in their physical property, they are required to maintain records and furnish the Commission with reports about changes in physical property upon request.

The railroad investment base, which is used to compute rate of return on net investment in transportation property for revenue adequacy proceedings, includes both transportation property and an allowance for working capital. Land grant lands are generally not included in the investment base because most Class I railroads are controlled by holding companies and many have transferred land holdings (including land grants) not directly involved in transportation up to their parent companies. However, the inclusion of land grant properties in a railroad's investment base is unlikely to affect the size of the investment base because the land grants have no book value. The land was simply deeded by the Government at no cost to the railroads.

The Commission receives data as to the book value of land owned by the railroads, since this information is reported in their annual reports (Form R-1). The Commission does not have any

basis for valuing this land for non-railroad use, nor for determining the extent or value of land deeded under land grants which may still be held by the railroads.

A brief discussion of land grants follows:

Between 1781 and 1982, the United States Government granted 328.5 million acres of land to the States. About 37.1 million acres were granted for the construction of railroads; the other grants to States were for common schools, for reclamation of swamps, for canals and rivers, and so on. The United States Government also granted 94.4 million acres of land directly to railroad corporations.

The land grants to railroads occurred primarily between 1835 and 1871, prior to the formation of the Interstate Commerce Commission. The Interstate Commerce Act, which was passed in 1887, did not provide the Commission with any direct jurisdiction over the disposition of land grant lands owned by the railroads. Much of the land grant land was directly transferred to the railroads in fee simple, in which case the railroads could dispose of these lands provided that there were no restrictions contained in the agreements or contracts between the railroads and the Government. However, if the grants contained reversionary clauses, the land could revert to another party (specified in the contract) if a railroad decided not to use the land for the purpose originally intended.

For the lands transferred from the United States Government to the 30 States which in turn transferred them to the railroads, the appropriate agreements would have to be examined in order to determine if any restrictions were imposed on sale or transfer of this land by the United States Government. In addition, the States were also free to impose restrictions on the sale or transfer of land granted to the railroads. In recent years, many railroads have established holding companies and passed their land assets (often in the form of a stock dividend) to the holding companies, which are not generally subject to Commission jurisdiction. The land grant properties would thus be owned by non-railroad affiliates and the activities of such entities are beyond the jurisdiction of the Commission, except with regard to matters relating to their management of rail carriers under their control.

SENATOR ANDREWS: Does the Commission believe that former land grants should be included when calculating a railroad's revenue adequacy? If not, why not?

ANSWER: As indicated by our response to your previous question concerning land grant holdings of railroads, many railroads have transferred their land grant holdings to non-railroad affiliates. Such transfers were made primarily because the properties were not used in railroad operations.

Since many of the land grant properties are not used for railroad operations, we believe that it would be improper to include these properties in computing rate of return on net investment in transportation property for revenue adequacy proceedings. This rate of return measurement relates income generated from railroad operations with the assets used to produce this income.

SENATOR ANDREWS: In determining revenue adequacy, shippers (to rebut your findings) have to demonstrate that earnings resulted in a return on investment equal to or greater than the railroad's cost of capital. Have any shippers been successful in their appeals on revenue adequacy grounds? How many petitions have you had in this area?

ANSWER: The revenue adequacy procedures currently in effect (Ex Parte 393, Standards for Railroad Revenue Adequacy, served March 31, 1981) do not make any provisions for the shippers to rebut findings as to revenue adequacy determinations. In fact, these procedures make no provision for any party, including the railroads, to supply any evidence. Revenue adequacy findings are based solely on comparisons of returns on investment (obtained from Railroad Annual Report Form R-1 submissions to the Commission) with the current cost of capital developed annually by the Commission. The Commission determines the railroads' cost of capital for the preceding year in one proceeding and subsequently in a separate proceeding determines the revenue adequacy of each railroad relative to the cost of capital finding.

Revenue adequacy determinations for the Class I railroads have been made by the Commission for each of the years 1979 through 1982, inclusive, under the present standard. The Commission's findings for each of these years have not been directly challenged by shippers within the context of any particular revenue adequacy proceeding. The standard, however, has been challenged by shippers in Ex Parte 393 (Sub-No. 1), Standards for Railroad Revenue Adequacy; Ex Parte 347 (Sub-No. 1), Coal Rate Guidelines, Nationwide; Ex Parte 436, Railroad Cost of Capital - 1982; and in numerous maximum rate proceedings, i.e., Docket No. 38025, Dayton Power and Light Company v. Louisville and Nashville Railroad Company. Although the Commission's 1982 revenue adequacy findings for the Class I railroads were not challenged, the finding of a 17.7 percent cost of capital used for the 1982 determination was challenged by several shippers in the courts. The Commission's decision in Ex Parte 436, supra, establishing the 17.7 percent cost of capital is currently under review before the United States Court of Appeals for the District of Columbia. In the meantime, the Commission is considering the shippers' objections to the revenue adequacy standard in Ex Parte 393 (Sub-No. 1), supra.

SENATOR ANDREWS: A recent article in Traffic World (March 19, pg. 25) states:

> To put it another way, you, as a shipper, can be obliged to pay rates at a level equal to your cost of building your own private railroad (at today's prices) all the way from origin to destination. The Commission has stated that it sees no reason to find any rate unreasonably high unless it exceeds this (obviously exorbitant) level.

Does that view adequately express the philosophy of today's ICC?

ANSWER: No. Initially, it should be noted that the issue of maximum reasonable rates on coal has a lengthy and complex history. The Commission has attempted to synthesize the best and most useful economic theory of rail pricing with the agency's statutory responsibilities and the Congressional directives set forth in the Staggers Rail Act of 1980. In February of 1983, the Commission proposed a maximum rail rate policy applicable to captive coal traffic which would utilize a "constrained market

pricing" approach. Rail carriers would be subject to four upward constraints when pricing this traffic. These constraints, considered together, were intended to ensure that rates on market dominant coal traffic do not exceed a maximum reasonable level. Stand-alone costs (a shipper or group of shippers could not be charged more than the cost of serving that traffic alone) is but one of the proposed constraints. The others involve rail management efficiency, an annual cap on increases (after inflation) and consideration of the revenue adequacy of the carrier involved.

Since the "constrained market approach" was proposed in Ex Parte No. 347 (Sub-No. 1), the Commission has received voluminous comments. We are presently in the process of reviewing and analyzing the issues raised in those comments. Modifications or changes in our methodology will be made if warranted.

SENATOR ANDREWS: The budget justification (pg. 41) states that rail compliance auditing consumes the majority of audit resources, and focuses on significant items and those of particular concern -- such as holding and affiliated company transactions. Could you tell the Committee what these audits have produced? How has the Commission used the information gathered on holding and affiliated company transactions? Please provide specific examples where this data has helped or influenced the Commission's work or decisions.

ANSWER: Commission auditors investigate transactions between railroads and affiliated companies through their compliance audit program. The field audit staff has been formally instructed to provide sufficient audit time for a comprehensive review of transactions between railroads, their holding companies, and affiliates. The objectives for reviewing the transactions are to determine if carrier assets are being transferred and if the reported costs of transportation services include excessive or unnecessary charges. This review is also designed to determine if the following types of abuses exist.

- Dissipation of carrier working capital through payment of excessive dividends to holding company.
- Inequitable income tax allocation.
- Excessive or unreasonable fees charged by holding company (e.g., management fees, rents, leases).
- Deferral of carrier maintenance and curtailment of carrier capital outlays.
- Dissipation of carrier assets.

The Commission does not generally monitor the financial operations of holding companies which own railroads. Since almost all holding companies have been designated by the Commission as non-carriers, the Commission does not have the authority to prescribe reporting requirements for these companies. The Commission does have the authority to initiate an investigation of holding companies relating to the management of rail carriers under their control, including authority to obtain information from such holding companies necessary to carry out the investigation. Although the Commission's power of inquiry is broad, the Commission does not have the authority to take any substantive regulatory actions in the event abuses are revealed. In such a situation we would, of course, inform the Congress so that it could consider appropriate action.

During the past few years, audits of major railroads have not revealed any substantive abuses from transactions with affiliated companies. In fact, we have found that three large railroads have been able to remain viable by means of financial assistance provided by affiliated companies. The Illinois Central Gulf Railroad Company has received substantial advances from its parent company, IC Industries, Inc., in order to obtain needed cash to maintain operations for the benefit of the railroad. The Chicago, Milwaukee, St. Paul and Pacific Railroad Company, which is presently in reorganization, has been able to maintain operations in recent years due in large part to financial aid received from a wholly-owned subsidiary, Milwaukee Land Company, in the form of dividends and loans. The Southern Pacific Company provided up to $90 million of interest-free advances to its subsidiary, Southern Pacific Transportation Company.

Since 1980, several major changes in holding company structures have occurred. These resulted from the creation of a parent company for the Burlington Northern Railroad and from the consummation of large railroad mergers. Also, the holding companies of the Burlington Northern Railroad and the Chessie System-Seaboard System railroads acquired El Paso Natural Gas Company and Texas Gas Resources, respectively. However, we find that the financial conditions of the railroad subsidiaries of these holding companies have not been adversely affected by these transactions.

Since we have not found any major abuses from affiliated company transactions, we have not had to take or recommend any appropriate actions. However, subsequent transactions between railroads and their affiliated companies and subsequent non-railroad acquisitions by holding companies could have substantial adverse financial effects on railroads. Therefore, it is important that we continue our intensive monitoring program in order to reveal and possibly prevent any adverse transactions.

SENATOR ANDREWS: Under ICC definition are the Burlington-Northern and CSX railroads revenue inadequate? If they are revenue inadequate, how was Burlington Northern able to purchase El Paso Natural Gas and CSX able to purchase Texas Gas Resources?

ANSWER: Revenue adequacy, as defined by the Commission, is a rate of return on investment equal to the cost of capital. It is a rigorous economic measure of the railroad industry's ability to maintain its operating capability. If investments do not eventually recover their cost they will not be renewed. The fact that virtually all railroads, including the Burlington Northern and CSX System railroads, currently fail this revenue adequacy test does not alter its validity.

Cash available for investment arises from a number of sources which may not reflect a financially healthy and prosperous industry. Cash reserves created through the retention of earnings by the railroads may indicate a shortage of promising re-investment opportunities within their own industry. Cash may also be generated by liquidation of fixed assets or by deferral of needed maintenance and capital expenditures. Funds may also be obtained by loans on terms which may be burdensome to the railroads' future liquidity. Several railroads have obtained substantial sums of cash by the sale of tax benefits under the Economic Recovery Tax Act which are unusable by them. Therefore, a railroad can be "cash rich" for a number of reasons and yet not be financially healthy and profitable.

The flight of capital from railroads to other industries does not indicate the railroads are flourishing. To the contrary, it indicates simply that other industries offer greater promise for profitable long-term investment.

It should also be noted that railroad holding companies, not railroads, have acquired El Paso Natural Gas and Texas Gas Resources. These holding companies are diversified enterprises drawing on other sources of funds for investment, including non-railroad subsidiaries. A description of these acquisitions follows.

Burlington Northern Incorporated's Acquisition of El Paso Company

Burlington Northern Incorporated, a holding company controlling the Burlington Northern Railroad, purchased (in February 1983) 48 percent of El Paso Company's common stock at a total cost of $622.3 million. Burlington Northern Incorporated had obtained lines of credit totalling $1 billion in the form of revolving credit and term-loan agreements in order to aid in this acquisition. However, the holding company used only $250 million from this source, plus about $375 million of internal cash (the majority of which was derived from its railroad subsidiary) to finance the purchase. According to Burlington Northern Incorporated's quarterly report filed with the Securities and Exchange Commission, unsecured private notes were subsequently issued to repay all borrowings under the revolving credit and term-loan agreements, thus restoring the amount available from this source to $1 billion.

Burlington Northern Incorporated announced on September 1, 1983, that it planned to acquire the remaining 52 percent of outstanding common shares of El Paso Company (approximately 27.7 million shares). Cash and shares of a newly-issued Burlington Northern Incorporated preferred stock were exchanged for each outstanding El Paso Company common share. The total cash expended under this plan was about $336 million. Funds for this transaction were derived from Burlington Northern Incorporated's treasury and from the aforementioned $1 billion line of credit.

Burlington Northern Incorporated acquired much of the funds for its initial acquisition of El Paso Company stock from its subsidiaries, including the railroad. The following chart shows the amounts of the railroad's cash and temporary cash investments at the end of the past five calendar quarters.

Burlington Northern Railroad's
Cash and Temporary Cash Investments
(Dollars in Millions)

	12/31/83	9/30/83	6/30/83	3/31/83	12/31/82
Cash and Temporary Cash Investments	68.5	$62.1	$ 6.1	$108.8	$533.5

CSX Corporation's Acquisition of Texas Gas Resources Corporation

CSX Corporation, on August 6, 1983, acquired 92.5 percent of Texas Gas Resources Corporation, a natural gas pipeline and exploration entity, for approximately $1 billion. The remaining shares of Texas Gas were acquired by the exchange of CSX common

stock for Texas Gas common stock. The acquisition of Texas Gas resulted in a $694 million increase in CSX's long-term debt, and a decrease in cash and short-term investments of $290 million. CSX's long-term debt increased $933.4 million from December 31, 1982, to September 30, 1983. This increase primarily reflects the $694 million in additional debt incurred in the acquisition of Texas Gas and the addition of $256.4 million of debt included in Texas Gas' balance sheet. CSX's outstanding debt in October 1983 was reduced $70 million through cash generated internally from operations. CSX sold an equity offering of about 12 million shares of common stock in November 1983; the proceeds of about $280 million were used to reduce debt levels.

SENATOR ANDREWS: One of the basic goals of the Staggers Act of 1980 was to protect shippers through regulation in the absence of effective competition. Yet the ICC in Ex Parte 347 (Sub-No. 1) will allow rail carriers a 15 percent rate increase annually above any adjustments allowed for inflation. The ICC will allow further increases after five years if the railroads are not "revenue adequate". What financial measures do you use to determine revenue adequacy?

ANSWER: In accordance with the procedures promulgated in Ex Parte 393, Standards for Railroad Revenue Adequacy, served March 31, 1981, the only financial indicator utilized in the determination of railroad revenue adequacy is the comparison of each railroad's rate of return on net investment to the current cost of capital standard for the railroad industry, as developed annually by the Commission. Return on net investment is defined as net railway operating income divided by the net (depreciated) investment in railroad property plus a working capital allowance. Only revenues and assets attributable to railroad operations are included in this calculation.

SENATOR ANDREWS: Why does the Commission use only one standard, the return on investment, when making this determination?

ANSWER: The Commission adopted the return on investment standard (i.e., return on investment equal to the current cost of capital) in Ex Parte 393, Standards for Railroad Revenue Adequacy, served March 31, 1981. As stated in that decision (p. 809): "Such a standard is widely agreed to be the minimum necessary to attract and maintain capital in the railroad, or any other, industry. The cost of capital is the rate of return required of a firm by current and prospective holders of its securities. If a firm is unable to earn the cost of capital, investors will be unwilling to supply capital to it." We went on to add (p. 810): "Railroads can obtain funds for investment only by offering rates of return comparable to other investment opportunities. Otherwise, investors will elect to invest their funds elsewhere. If railroads earn less than adequate rates of return because of inappropriate regulatory action, rather than because they are not providing a desired service, then the standards of the Rail Act and the clear thrust of congressional policy will be thwarted."

MARKET DOMINANCE

SENATOR ANDREWS: Under the Interstate Commerce Act, market dominance was measured on the basis of an absence of effective competition from other carriers or modes of transportation. The

Commission after passage of Staggers introduced geographic and product competition as part of the definition. Please update the Committee on the Fifth Circuit Court of Appeals ruling in late 1982 - that found the Commission wrongly introduced these considerations.

ANSWER: On November 14, 1983, the United States Court of Appeals for the Fifth Circuit, in a rehearing en banc, affirmed the Commission's market dominance regulations. By a vote of eight to two, the full court reversed the earlier panel's decision insofar as it held the Commission cannot consider geographic and product competition. Various utilities have filed a petition for certiorari with the Supreme Court.

PROCEEDINGS

SENATOR ANDREWS: How did the Commission estimate the number of rail abandonments for FY 1985 at 200? This is the same number of rail abandonments expected for FY 1984. How many rail abandonment cases has the Commission reviewed to date for fiscal year 1984? Why does the Commission believe that it can reach the 200 level in FY 1984?

ANSWER: In estimating the number of rail abandonment applications which were to be filed in both fiscal years 1984 and 1985, the Commission staff relied in large part on informal discussions with various railroad officials. From those meetings, the staff was led to believe that the Burlington Northern, Seaboard, Southern Pacific, and Illinois Central Gulf would be very active in the abandonment area. It was estimated that those four carriers alone would file well in excess of 100 applications in both years. Since the beginning of fiscal year 1984, of the total of 56 applications filed, these carriers have filed 39 applications.

However, after these estimates were developed, the Southern Pacific sought to merge with the Santa Fe, the Illinois Central Gulf decided to sell over 700 miles of its system to another carrier, and the Commission developed a class exemption procedure which allows for expedited abandonment of railroad lines that have been out of service for 2 or more years. These activities have undoubtedly reduced the anticipated number of abandonment applications.

Nevertheless, the staff was recently advised by officials of several large railroads that abandonment activity will increase after July of 1984. Although the 200 application figure may turn out to be high, it still appears that there will be more abandonment applications filed in fiscal years 1984 and 1985 than in fiscal year 1983.

SENATOR ANDREWS: There were 140 rail abandonments filings in FY 1983, what were the decisions in those filings? How many were granted, how many denied? Of those granted, how many were appealed by state public service commissions, how many by affected shippers? Please list by State.

ANSWER: According to our records, 120 applications to abandon rail lines were filed in FY 1983. This does not reflect applications filed pursuant to the bankruptcy act or applications filed by the Consolidated Rail Corporation pursuant to the Northeast Rail Service Act of 1981. Also not included are petitions seeking exemption from the abandonment provisions.

Of the 120 applications, 113 were granted, 4 were denied and 2 were dismissed. One is still pending.

Appeals were filed in 12 of the cases where abandonment was authorized. In 4 of those cases, shipper interests filed the only appeal. However, shipper interests filed appeals in 3 other cases where multiple appeals were filed. State or local government interests filed appeals in 6 cases. Labor interests filed 3 appeals and the Department of Defense filed 1 appeal.

Four of the abandonments which were appealed took place in Illinois. Each of the following states had 1 appeal to an abandonment authorization; Alabama, Kentucky, Montana, New York, North Carolina, North Dakota, Pennsylvania, Oregon and Tennessee. (One abandonment which was appealed took place in two states.)

SENATOR ANDREWS: For Fiscal Year 1984 (to date) please provide the same information requested for the 1983 filings.

ANSWER: For fiscal year 1984, up to April 5, 1984, the following abandonment activity has occurred. For abandonments sought under the provisions of the Interstate Commerce Act, 4 notices of intent to abandon are pending, 3 petitions to waive filing data are pending, 24 abandonment applications are pending and 32 applications were acted upon. Of the cases decided, 30 were granted, 1 was dismissed, and 1 was denied. One appeal by a shipper in Florida has been filed.

During this same period, the Consolidated Rail Corporation has been actively seeking abandonment authority pursuant to the provisions of the Northeast Rail Service Act of 1981. As of April 5, 1984, Conrail had filed 216 notices of insufficient revenues and 182 abandonment applications in the fiscal year.

Additionally, during this period, bankrupt carriers have sought permission from courts to abandon lines pursuant to the Bankruptcy Act, and numerous carriers have sought exemptions from Commission regulation to abandon lines.

ACCOUNTS

SENATOR ANDREWS: How many investigations or suspensions in rate cases have occurred in the last two years? If none, why not?

ANSWER: The following chart summarizes the investigation and suspension actions taken in rate cases:

	FY 1982	FY 1983
Suspended and investigated	29	11
Placed under investigation	6	2
Total	35	13

SENATOR ANDREWS: Do you agree with the Grace Commission observation (pg. 100) that declining responsibilities in the offices to which the Bureau of Accounts provides support have not engendered equivalent reductions in the Accounts staff?

ANSWER: I do not agree with the observation. First of all, the question gives the impression that the Bureau of Accounts serves entirely as a support activity. The Bureau provides limited direct support to other offices. Almost all of this limited support is for rail work on maximum rate cases and in developing proposed rules.

More significantly, a review of the Bureau's staffing levels from FY 1980, before the Grace Commission review, through FY 1985 indicates a consistent and dramatic decline. Under the proposed FY 1985 budget, the Bureau will reduce to 106 staff-years, a reduction from FY 1980 of 53 percent. Even under my proposal, which provides 123 staff-years for the Bureau of Accounts, a 45-percent reduction would occur.

The Grace Commission emphasized that its recommendations were not fully supported in its report and would require further analysis. The reductions in the Bureau of Accounts, many of which have been more than what was recommended in the Grace Report, reflect a conscientious effort by management to streamline office operations while also reducing staff commensurate with declining workload.

SENATOR ANDREWS: Despite the great number of hours spent on rail audits, the Grace Commission (pg 12) stated that it appears that little action is taken regarding discrepancies discovered by the auditors. Is this true? If not, why not? Please elaborate for the Committee. Are many discrepancies discovered by the auditors? How are they handled? How serious are these discrepancies? Are selective audits performed? What areas are most thoroughly audited? How does the Commission measure the effectiveness of its audits? Please elaborate for the Committee.

ANSWER: Action is taken on all material discrepancies discovered during the course of the ICC's audits. The audit findings are discussed with railroad officials, and those findings which are resolved become the subject of a follow-up audit, normally scheduled six months after the initial audit. The follow-up insures that the discrepancies have been corrected. Where there is an uncorrected issue, other than one pending an interpretation, an administrative notice is given to the carrier advising them of the regulations and possible penalty for non-compliance. This approach has proven successful in the past. In the event non-compliance still exists, the matter is referred for enforcement action to the Office of Compliance and Consumer Assistance. Additional follow-up action, if necessary, is made during the subsequent audit.

The objective of our audits is not to discover discrepancies, per se. Rather, it is to ensure that data reported to the Commission in financial reports and as evidence in proceedings is reliable. Compliance with the Commission's accounting and reporting rules is tested through the application of generally accepted auditing standards and the use of analytical techniques, statistical sampling techniques, and automated auditing capabilities. This use of electronic data processing enables us to broaden the depth of our audits while utilizing less staff time.

Our audits emphasize operating expenses and the related operating statistics. These are the most thoroughly audited areas because they are used to develop costs for ratemaking and, therefore, have the greatest impact on shippers and consumers. Selective audits may also be performed. For example, affiliated and holding company transactions are audited in response to Congressional interest. Further, the Commission is required to certify railroads' cost accounting systems under the Staggers Rail Act of 1980. Sufficient audit coverage is necessary to enable the Commission to accomplish this task. To provide the widest coverage, we rely heavily on the work performed by the railroads'

public accountants as an adjunct to our audits. We are able to save staff time by relying on these independent accountants' work in many areas, while concentrating on cost-related areas used in ratemaking decisions. These cost areas are beyond the scope of the audits done by independent accountants, whose audits are for general purpose financial statements used by shareholders and creditors.

The quantification of audit findings and measurement of effectiveness is at best difficult and is under study by the Bureau of Accounts. Our present auditing approach centers on an analysis of the accounting system. Therefore, the discrepancies disclosed are systems problems and frequently have potentially material financial impact. In many cases discrepancies cannot be quantified but play a signficant role in evaluating the cost of providing a service. Also, the number of discrepancies and the absolute dollar amount are important only as indicators of possible accounting systems problems and are not necessarily important only in and of themselves.

TRAFFIC

SENATOR ANDREWS: The traffic office processes all rate tariffs and applications. What savings have been realized because of electronic filing of rate tariffs? If not, why not? When will savings be realized?

ANSWER: The Commission proposed the concept of electronic filing of tariffs in an advance notice of proposed rulemaking in Ex Parte 444, Electronic Filing of Tariffs, served March 8, 1983. The public reaction has been mixed, with the shipping public and the motor carrier industry generally supporting the idea. The railroad industry has suggested that it be allowed to work out a process, without Commission involvement, that will satisfy the needs of shippers as well as the railroads. No further formal action has been taken by the Commission.

While it is anticipated that significant savings could result once the system is implemented, it should be noted that initial savings would be minimal. This is attributed to the necessity of maintaining both systems until all tariff publishers and users have the capability of using the electronic system.

No savings have been realized up to this point since the proposal is still in the planning stage. As a practical matter, no savings can occur until the system is fully operational. The Commission has not yet rendered a final decision in the matter.

SENATOR ANDREWS: The personnel complement for this office goes from 97 in FY 1984 to the requested 90 for FY 1985. How were you able to reduce this office by seven? How much of this reduction was due to increasing the "zone of ratemaking freedom" from 10 percent to 15 percent in June 1983? How much of the reduction was due to electronic filing of tariffs? Other efficiencies?

ANSWER: The reduction in personnel requirements in the Bureau of Traffic from 97 in FY 1984 to 90 in FY 1985 is based on projected levels of activity in two units, the Suspension Board and the Special Permission Board.

The Suspension Board's activity has declined in the last eight years as a result of legislative changes, as well as changes in Commission policy. It now appears to be leveling off and the planned complement of four positions will adequately enable the Board to continue to act as an independent unit.

The Special Permission Board/Branch in the Section of Tariffs will also be reduced. This is based on a projected lower level of activity as a result of both actual and anticipated Commission actions. These include changes in the tariff filing regulations which incorporate many of the Special Permission Board's actions of the past several years, as well as Docket No. 37321, Revision of Tariff Regulations, All Carriers, and Ex Parte MC-170, Short Notice Effectiveness for Independently-Filed Motor Carrier and Freight Forwarder Rates, which will eliminate the need for relief from the statutory requirement of filing tariffs 30 days prior to the proposed effective date. Exemption from tariff filing requirements for motor contract carriers, the elimination of regulation over railroad boxcar traffic and the greater use of rail contracts as a pricing mechanism have also reduced the need for special permission to depart from tariff publishing regulations.

None of the reduction in staff can be attributed to increasing the "Zone of Ratemaking Freedom" from 10 percent to 15 percent. Utilization of the so-called "ZORF" provisions has been extremely limited and has had no impact on personnel levels.

No part of the reduction is attributable to the electronic filing of tariffs, since there is currently no electronic filing system in place.

SENATOR ANDREWS: Do you agree with the Grace Commission's observation that the Tariffs section is overstaffed with supervisory personnel? Is the tariff section's workload largely clerical? If not, please tell the Committee what percent of the workload is clerical? How would you describe the remaining workload (policy formulation, analysis, supervisory, etc.)? Please provide percentages associated with each type of activity.

ANSWER: I do not agree with the Grace Commission's observation that the Section of Tariffs is overstaffed with supervisory level personnel. The Grace Commission's statement that half of the unit's complement is at the supervisory level appears to be based on the misconception that all personnel at the GS-10 and higher level are supervisors. The Section of Tariffs currently consists of 68 positions: 9 of which are entirely clerical (13%); 25 of which have a mix of duties, clerical in part and technical in part--we assign 18% as representative of the clerical nature of this work force; 25 of which are entirely technical (36%); and 9 of which are supervisory (13%). Thus, clerical duties account for 31% of the Section's authorized positions, with technical duties accounting for 56% and supervisory duties comprising the balance (13%).

EFFECTS OF EXEMPTION

SENATOR ANDREWS: Last year when questioned about the effects of deregulation, Mr. Chairman, you stated that the Commission has the authority to revoke an exemption if it doesn't work out properly. Has the Commission been monitoring the effects of some

of the recent wholesale exemptions granted? For example, how have you been monitoring the effects of boxcar deregulation, the rates on coal shipments, and the rates on export coal?

ANSWER: The pattern we have been following with recent large-scale exemptions (trailer on flat car-containers on flat car, export coal, and boxcar) is first to assign a team of staff people to maintain contact with key carrier and shipper representatives, to pick up reports in trade journals, and to transmit memoranda periodically to the Commission. Then, when sufficient time has elapsed (at least a year), we institute a formal study involving shipper or carrier surveys and case studies. Our trailer on flat car/container on flat car monitoring program is in the second stage, while the other two are still in the first stage. Experience has taught us that for a while after an exemption goes into effect, existing tariffs remain in place and are relied upon to price the tariffs. We naturally expect departures from these rates to take place in several steps, with carriers operating at different paces and interacting in their behavior. To study the exemption while this is going on could well be confusing and misleading. Moreover, the more permanent effects of pricing and service changes very often do not appear in the short run, since carriers and shippers may already be committed to particular long-term arrangements. Over time, they are able to adjust to new conditions, often emerging at least as well off as before. For these reasons we feel a study done after sufficient time has elapsed is appropriate, so as to provide a better perspective and a more meaningful reading of the anticipated benefits of the exemption.

We monitor coal rates, along with those for several other rail commodity groups, as part of a joint effort with the Department of Labor's Bureau of Labor Statistics.

SENATOR ANDREWS: What office(s) within the Commission is responsible for monitoring the effects of total deregulation? How many offices are involved in this monitoring? How many people in each office and approximately what percent of their time is spent in exemption monitoring?

ANSWER: The Office of Transportation Analysis is responsible for, and extensively involved in, monitoring the effect of deregulation. OTA has called upon the Office of Compliance and Consumer Assistance to provide staff resources, as needed, in this monitoring effort. Although other offices provide staff with specific expertise during the course of the various studies and monitoring activities, these two offices are the only ones which supply measurable staff-time to these functions.

Within these components, there are approximately 7 to 8 staff-years consumed monitoring deregulation. In the Office of Transportation Analysis, 4 to 5 staff-years are dedicated full-time to the effort, while in the Office of Compliance and Consumer Assistance, almost all staff devote some time to this function, totaling approximately 3 staff-years, or slightly less than 1 percent of office-wide staff-time.

GENERAL BUDGET

SENATOR ANDREWS: What is the "normal" attrition rate of the Commission? Could the Commission through normal attrition reach the 1,022 total staff-years proposed by the Administration? If

not, why not? If so, how low does normal attrition get you if a "no new hiring" policy were in effect?

ANSWER: The rate of attrition at the Commission has declined from 13 percent to 10 percent over the past few years. In fiscal year 1982, a period in which there were numerous involuntary separations through reductions in force, the attrition rate was just over 13 percent. During fiscal year 1983, the Commission averaged a rate of 11.5 percent. Thus far in fiscal year 1984, the Commission has experienced an attrition rate of 10 percent. During each of these years, a policy of recruiting from outside the Commission only to fill a very limited number of critical vacancies has been in effect. Therefore, it is inappropriate to characterize any of these rates as "normal".

Assuming a continuation of the current rate of attrition, the 1,022 total staff-year level proposed in the fiscal year 1985 budget could not be achieved without reductions in force and involuntary separations.

The experience of the past three years has demonstrated that, regardless of whether staff are separated voluntarily or involuntarily, it is impossible to either control or predict which positions will become vacant. There are positions at the Commission which require very specific professional or technical expertise. Further, some of the positions that become vacant during the year are clerical or entry-level positions which cannot be filled by employees currently on-board. Accordingly, it is not always possible to simply reassign remaining staff and still provide for effective performance and discharge of responsibilities. Although the Commission continues to fill vacant positions with qualified persons currently on-board, vacancies will continue to occur for which no inside candidates are either qualified or suitable. Therefore, outside recruiting for a limited number of critical vacancies will continue to be absolutely necessary.

SENATOR ANDREWS: Why does "administative support" for the proceedings activity increase 12 percent, for compliance and consumer assistance increase approximately 5 percent, and for enforcement increase 5 percent, when those three activities are being reduced by almost 15 percent, 21 percent and 14 percent respectively? Wouldn't administrative support decline relative to the reduced activity in these three areas?

ANSWER: The following chart shows that if the SLUC charges for rental of space from the General Services Administration are omitted, administrative costs are actually decreasing for each program:

ADMINISTRATIVE SUPPORT COSTS
(Excluding SLUC)

PROGRAM	FY 1984	FY 1985	Percent of Change
Proceedings	$ 5,183,000	$ 5,026,000	(3.0)
Policy & Analysis	1,311,000	1,180,000	(10.0)
Compliance and Consumer Assistance	4,030,000	3,714,000	(7.8)
Enforcement	1,427,000	1,283,000	(10.1)
	$11,951,000	$11,203,000	(6.3)

SENATOR ANDREWS: Why does the standard level user change (SLUC) increase so dramatically from $3.9 million in FY 1984 to $5.9 million in FY 1985? How much of this SLUC is for office space and how much is for services? Please provide the Committee a comparison between FY 1984 and FY 1985 on the total square footage, and payments for that space. Also, provide for the Committee the service charges in FY 1984 and in FY 1985 and a description of what those service charges cover.

ANSWER: The standard level user charge (SLUC) increases from $3.9 million in FY 1984 to $5.9 million in FY 1985 primarily because the General Services Administration (GSA) is increasing the rate charged for office space from $10.25 per square foot in FY 1984 to $20.08 in FY 1985.

Because SLUC rates are determined by GSA based on appraisals of commercial buildings in the vicinity of the building being appraised, consideration being given to location, amount and quality of space, and level of services provided, it is not possible for the Commission to indicate the amount applied to services. GSA may be able to provide information as to charges and specifically what they cover.

At the end of fiscal year 1984, the Commission expects to occupy 379,203 square feet of space at a cost of $3,900,000. This will decrease to 311,015 square feet at the end of fiscal year 1985 but at a cost of $5,900,000.

SENATOR ANDREWS: What additional equipment is being purchased with the requested $569,000 in FY 1985? Please provide the Committee a description of each piece of equipment and associated cost. Also, denote whether this is new equipment to assist in electronic filing of tariffs, is other new equipment or is replacement equipment.

ANSWER: The $569,000 requested for equipment in the fiscal year 1985 budget includes both furniture and equipment. It is estimated that $18,000 will be needed for replacement furniture. A total of $51,000 is planned for replacement of equipment such as typewriters, dictation machines, and microfilm equipment.

The remaining $500,000 has been budgeted in connection with the proposed electronic filing of tariffs. However, since the latter is still in the proposal stage, the specific needs of the system have not yet been determined. Therefore, it is not possible to identify the specific pieces of equipment to be purchased. It is conceivable that this money would be used in

several ways to implement the filing system. These include the leasing and/or purchasing of equipment, training of personnel, service contracts, and supplies.

SENATOR ANDREWS: List for the Committee the leasehold improvements purchased with the $105,000 in FY 1984 and those proposed for FY 1985 with the $80,000.

ANSWER: The FY 1984 leasehold improvements estimate of $105,000 is related to the decrease in staff and the resultant decrease in space needs. These funds are being used to relocate and consolidate the bureaus and offices to retain full organizational functions and to reaccommodate the regional and field offices. These consolidations will result in a reduction of 88,163 square feet of office space in Fiscal Year 1984.

Salvagable carpeting from relinquished office space is being reinstalled whenever practicable. New carpeting is being installed only where wear and tear is excessive or when carpeting has been ruined by water damage.

The Commission is faced with further space reduction and consolidation due to the anticipated lower staff ceiling for FY 1985. Although the staff reduction is not expected to be as great as that in FY 1984, the estimate for leasehold improvements in FY 1985 is $80,000.

The following chart shows the estimated costs for Leasehold Improvements in FY 1984 and 1985:

TENANT ALTERATIONS

	FY 1984	FY 1985
Removal or construction of walls and partitions	$ 46,300	$35,700
Relocation and hanging of doors	6,500	4,900
Electrical installations	7,700	5,500
Rekeying of locks, carpentry, etc.	4,500	3,500
New carpeting	18,000	13,700
Carpet installation	12,000	9,100
Carpet cleaning	10,000	7,600
TOTAL	$105,000	$80,000

REQUIRED REPORTS

SENATOR ANDREWS: Senate report language accompanying the FY 1984 bill directed the Commission to provide a status report by March 30, 1984, on the ICC workload under existing law, salary and expense obligations to date and prospects for reductions in appropriations. Conspicuous by its absence was the report of prospects for reductions in appropriations. Where is it? When can we expect to receive that part of the report?

ANSWER: The status report, provided on March 29, 1984, in accordance with the requirements of Senate Report 98-179 on the 1984 Department of Transportation and Related Agencies Appropriation bill, reported the prospects for reductions in the fiscal year 1984 appropriation under the narrative section entitled "Obligations." The latter section reported prospects of reducing expenses by approximately $1.6 million relative to the appropriation.

The report did not address prospects for reductions in the fiscal year 1985 appropriation since a reduction of approximately 10 percent relative to the fiscal year 1984 appropriation is already incorportated in the 1985 budget request.

SENATOR ANDREWS: The FY 1984 bill also includes a prohibition against the obligation of funds unless the Commission has published an updated user fee schedule by May 1, 1984. What has been the reponse to your user fee schedule proposal that was in the Federal Register on February 17? How much additional revenue will the new schedule generate?

ANSWER: We have received a total of 60 comments to our Notice of Proposed Rulemaking, dated February 17, 1984. The commentors represented various segments of the transportation industry and the shipping public. While they generally recognized our obligation to charge for particular services rendered to identifiable beneficiaries under the Independent Offices Appropriations Act (IOAA) of 1952, they questioned the propriety for charging for some of the specific items and some of the proposed fee levels.

If our proposals in Ex Parte 246 (Sub-No. 2) are adopted, we anticipate annual fee collections of approximately $9.5 million which represents an increase of about $3.5 million over the amount of our fee collections in recent years.

SENATOR ANDREWS: When is the new fee schedule to go into effect? Does the ICC expect to recover full costs for the services provided? What is the basis for not recovering full costs? How will the ICC ensure that its fees will regularly be updated?

ANSWER: The new fee schedule will be effective 30 to 60 days after publication in the Federal Register, which we anticipate will be on or about May 1, 1984.

Our proposed fee schedule will generally be set to recover full costs for providing the service, comprised of direct labor, governmental and departmental overheads, and general and administrative expenses.

Procedures and criteria are provided in the rulemaking for the waiver or reduction of filing fees under certain specified conditions. These apply in those instances where the reduction in fees is necessary in order to provide for independent public benefit, and in those instances where an appeal of right is involved and the Commission stands in the position of an appellate court.

We plan to ensure that the fee schedule continues to be updated by establishing procedures for an annual, automatic update of the schedule. The formula used to calculate these updates is contained in proposed section 49 CFR 1002.3. The updated fee schedule will be published in the Federal Register and will become effective on October 1, each year.

When new procedures are implemented, appropriate fees will be adopted through the rulemaking process establishing such procedures.

BUS TERMINAL STUDY

SENATOR ANDREWS: What is the status of the bus terminal study due December 31, 1983, by the Bus Regulatory Reform Act of 1982? What offices within the Commission were working on this study? How many persons (and what percent of their time) were working on this study? What will these people work on when the study is completed?

ANSWER: The Act requires the United States Department of Transportation and the Interstate Commerce Commission to conduct a joint investigation and study of intercity bus terminals. The Interstate Commerce Commission's Office of Transportation Analysis has assigned one staff member to work on the study on a continuous basis with other persons providing support services when needed. So far 1.8 staff-years have been devoted to the task. In addition, several staff members from each of the regional offices of the Office of Compliance and Consumer Assistance were used over a 3-month period (2.7 staff-years) to follow-up on approximately 2,600 survey questionnaries and help increase the response rate.

The survey results have been computerized by the Department of Transportation, and we are currently generating data tables for analysis and presentation in the report. A draft report should be ready for Interstate Commerce Commission, Department of Transportation, and Office of Management and Budget approval by the end of May 1984. Persons working on the bus terminal study will be assigned to other monitoring projects, studies, or on-going caseload when the report is completed.

HOUSEHOLD GOODS

SENATOR ANDREWS: Is it the Interstate Commerce Commission's Office of Transportation Analysis that will conduct the study on the impact of the 1980 House Hold Goods Transportation Act? Could you update the Committee on the status of that study -- when will it be available? (or when you plan to conduct that study after the Office of Management and Budget clearance on the questionnaire.) Is the Interstate Commerce Commission engaged in a joint study with the Department of Transportation on this same subject?

ANSWER: The Commission's Office of Transportation Analysis will conduct the study on the impact of the Household Goods Transportation Act of 1980. The Office of Management and Budget approval of the Household Goods Industry questionnaire is anticipated by the end of April 1984. The Office of Transportation Analysis will print and send out the questionnaires immediately after approval is granted. The study of the impact of the Household Goods Act of 1980 is scheduled for completion about midSeptember. We are not engaged in joint study with the Department of Transportation on the same subject.

ZONE OF REASONABLENESS

SENATOR ANDREWS: What is the status of Ex Parte MC-169, Expansion of Zone of Reasonableness for Motor Common Carriers of Property and Freight Forwarders? Has there been a decision on this Commission proposal?

ANSWER: The Commission issued a decision in that proceeding on January 19, 1984. The decision expanded the zone of rate freedom for motor common carriers of property and freight forwarders by 5 percent, from 10 percent to 15 percent. The decision also amended rules at 49 CFR Parts 1309 and 1310 to simplify tariff filing requirements governing rates and charges filed under the zone of rate freedom authority.

STAFFING

SENATOR ANDREWS: Please provide for the Committee a listing of the number of each GS level personnel in each of the Commission's offices.

ANSWER: The following chart shows the actual staffing as of April 3, 1984:

GS STAFFING PATTERNS

BUREAU/OFFICE	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	TOTAL
Commissioners' Offices			21	5	4	2	4	1	2	4	4	2	6	2			57
Secretary			1		1	4	4		7	4	11	13	35	19			99
General Counsel			15	4	1		1				2	3	1	3			30
Proceedings		1	35	61	10	13	26	1	1	5	19	15	12	10	2		211
Hearings	1	9									3		3				16
Special Counsel			4	2			1			1							8
Transportation Analysis			3	13	17	1	1			1	1	2	1	1			41
Accounts			8	16	59	10	4		2		8	10	1	3			121
Traffic			3	2	7	10	29	3		1	2	6	20	7	1		91
Compliance and Consumer Assist.			17	20	37	142	8		27	1	24	7	36	27		1	347
Managing Director	—	—	5	7	15	20	7	1	7	3	7	15	12	6	—	—	105
Totals	1	10	112	130	151	202	85	6	46	20	81	73	127	78	3	1	1,126

RAIL ABANDONMENT

SENATOR ANDREWS: Please provide for the record the status of ICC activity pursuant to Section 402 of the Public Law 97-102? (also contained in Section 115 of Public Law 97-92).

ANSWER: Section 402 of the Department of Transportation and Related Agencies Appropriation Act, 1982, P.L. 97-102 (December 23, 1981), provides, as pertinent, that none of the funds provided in this or any other Act shall hereafter be used by the Interstate Commerce Commission to approve railroad branch line abandonments in the State of North Dakota by the Burlington Northern Railroad Company (BN) or its agents or assignees, in excess of a total of 350 miles. Since this statute was enacted, BN has been granted authority, in four proceedings, to abandon branch lines in North Dakota totaling 83.32 miles. One of those proceedings, involving a branch line of 20.11 miles, is currently the subject of an appeal before this Commission. Additionally, the Commission has issued three notices of exemption allowing BN to abandon an additional 31.04 miles of line in North Dakota.

GRAIN-COAL

SENATOR ANDREWS: What percent of the grain sold by farmers is shipped by an elevator dependent upon a single railroad?

ANSWER: According to a 1983 study by the National Grain and Feed Association, about 58 percent of all grain marketed through country elvators was shipped by an elevator served by a single railroad during 1979-1981. This statement, however, may overstate the dependency of farmers on a single railroad for several reasons:

(1) About 9 percent of these elevators had reciprocal switching arrangements with other railroads available to them.

(2) Not all farmers market through country elevators; some market directly through subterminal elevators or river houses. Since passage of the Staggers Act, industry sources indicate that an increasing number of farmers are utilizing this latter option. About 8 percent of terminal, subterminal or river elevators were served only by a single railroad, and only about half of the grain shipped by these elevators was shipped by rail. Moreover, about half of these single-railroad elevators were able to take advantage of reciprocal switching arrangements with other railroads.

(3) Many farmers have the option of choosing among several country or subterminal elevators located on competing rail lines. Thus, if railroad A serving elevator A is to remain competitive with railroad B, it must provide rates which will allow elevator A to remain competitive with elevator B. We understand that this form of competition is, in fact, currently prevalent in grain producing regions.

When a shipper, or shippers, believes that it is the victim of unreasonbly high rates, it has access to Commission procedures to remedy that situation.

SENATOR ANDREWS: What percent of the the coal shipped on railroads is dependent upon one railroad for service?

ANSWER: According to the testimony of the Water Transport Association in Finance Docket No. 30300, CSX Corporation - Control - American Commercial Lines, Inc., February 14, 1984, p. 105, "About 85 percent of all coal moved by railroad is captive to a

single railroad for all or a substantial portion of the shipment." While we have no cause to dispute this statement, we feel constrained to point out that this in itself does not necessarily indicate an absence of effective competitive pressure on coal rates for these shipments.

According to the Department of Energy, all rail movements account for about 60 percent of all coal tonnages shipped, and rail intermodal movements for an additional 15 percent of such shipments. Thus, while rail is clearly the dominant mode for long distance movement, water movement and the existence of or potential for coal slurry pipeline and mine mouth power generation present effective intermodal competition in some markets.

MILWAUKEE ACQUISITION

SENATOR ANDREWS: What is the status of applications by Soo Line and Chicago North Western/Grand Trunk to acquire former Milwaukee Line Routes?

ANSWER: On March 14, 1984 Milwaukee's Reorganization Court referred for our consolidation applications by the Soo Line Railroad Company, Chicago and North Western Transportation Company, and Grand Trunk Corporation to acquire and operate Milwaukee's core assets. These applications were filed under section 5(b) of the Milwaukee Railroad Restructuring Act, 45 U.S.C. 904(b).

The Commission established the following schedule for consideration of these proposals. Final terms of acquisition proposals were due April 6. Comments and supporting statements of non-applicants are due April 13. Opposition statements are due May 7. Cross-examination begins May 7. Oral argument is scheduled for July 19. The Reorganization Court required us to issue a decision on these proposals by September 10, 1984.

OPEN ENTRY

SENATOR ANDREWS: In Ex Parte 55 Sub 43(A), the Commission proposed that an applicant only need to indicate familiarity with and intent to comply with Commission and Department of Transportation (DOT) regulations. Does this open entry policy violate the entry constraints that were retained in the Motor Carrier Act? If not, why not?

ANSWER: Following enactment of the Motor Carrier Act of 1980, the Commission issued rules in Ex Parte No. 55 (Sub-No. 43) implementing the new entry standards adopted by Congress for motor carriers of property. In the decision in that proceeding, the Commission stated that applicants must meet DOT safety standards. We do not issue new authority to those that do not meet those standards. However, first-time applicants need only state familiarity and willingness to comply with DOT's safety requirements in order to demonstrate their safety fitness, since a first-time applicant has no record on which to judge its safety fitness. Fitness is not the only requirement an applicant must meet in order to receive operating authority. The Commission's entry standards require that an applicant demonstrate that its service will serve a useful public purpose, responsive to a public demand or need, and that it is fit, willing, and able to provide that service, as provided for in the Motor Carrier Act.

Therefore, an indication of familiarity with and intent to comply with ICC and DOT regulations is only one requirement which applicants must meet in order to receive a grant of authority.

Separate Expression of Chairman Taylor

Clearly, the Commisison should not issue authority to applicants which do not meet DOT safety standards. I wish I could agree with the majority that we do not grant authority under such circumstances. Unfortunately, this statement is not completely factual. For example, in the Robbins case*, the Commission granted a 15-month limited term certificate to the applicant in spite of evidence presented by DOT regarding the applicant's total non-compliance with recordkeeping requirements, including driver qualification files, vehicle condition reports, and drivers' logs. DOT has appealed the Commission's decision; the matter is presently pending before the court.

* No. MC-160342, Allan B. Robbins, d/b/a Robbins Trailer Service, Common Carrier Application, decision served February 23, 1983 (not printed). Chairman Taylor dissented with a separate expression, and Commissioner Simmons dissented.

SENATOR ANDREWS: Is there any evidence gathered by either the Commission or DOT that open entry is leading to the operation of unsafe trucks?

ANSWER: The Interstate Commerce Commission does not gather statistics concerning safety of highway vehicles. That aspect of transportation is the responsibility of DOT's Bureau of Motor Carrier Safety.

ANTITRUST IMMUNITY

SENATOR ANDREWS: What is the status of the ICC case Ex Parte MC-172? Under what authority is the Commission proposing to eliminate the immunity from antitrust laws previously provided by the Motor Carrier Act of 1980?

ANSWER: The proceeding in Ex Parte MC-172, Withdrawal of Antitrust Immunity for Collective Ratemaking on Small Shipments, was instituted in response to a petition filed by the National Small Shipments Traffic Conference, Inc., and the Drug and Toilet Preparation Traffic Conference, Inc., requesting that the Commission withdraw antitrust immunity for collective ratemaking by motor carriers of property on rates applicable to shipments under 1,000 pounds. The Commission published a notice on October 12, 1983, soliciting comments on this proposal. In addition, the notice requested comments on whether immunity should be withdrawn from other areas of rate bureau activity or perhaps be withdrawn altogether. More than 60 parties, representing diverse interests, filed comments in response to this notice. These comments are now being reviewed prior to further action by the Commission.

The October 12 notice cited 49 U.S.C. 10706(f) and (g) as statutory authority for these proposals. Subsection (g) authorizes the Commission to review an approved rate bureau agreement and directs the Commission to change the conditions of approval or to terminate approval when necessary to assure consistency with the national transportation policy. Subsection

(g) allows the Commission to begin a proceeding under section 10706 or on its own initiative. Certain of the parties filing comments have questioned this interpretation of the Commission's authority to withdraw some or all antitrust immunity as proposed, and this issue will be addressed in any Commission decision. The major substantive question to be decided is whether continued broad antitrust immunity for motor carrier collective ratemaking is consistent with the national transportation policy of 49 U.S.C. 10101(a) and with the procompetitive reforms adopted in the Motor Carrier Act of 1980.

SENATOR ANDREWS: The Motor Carrier Ratemaking Study Commission suggested that the antitrust immunity be extended for two years. What is the ICC's position on that suggestion?

ANSWER: The Motor Carrier Ratemaking Study Commission recommended the elimination of antitrust immunity for collective ratemaking for all rates and for freight classification in the motor carrier industry. This recommendation is advisory only until such time as Congress acts on the matter.

Several members of the Motor Carrier Ratemaking Study Commission who dissented from the report (Congressmen Roe, Seiberling, and Shuster) have introduced a bill, H.R. 3260, which would extend for two years, until July 1, 1986, the date on which antitrust immunity is eliminated for the discussion of or voting upon single-line rates by motor common carriers of property. Although the ICC has not yet commented on this legislation, we anticipate that a majority of the Commission will oppose H.R. 3260.

CONRAIL

SENATOR ANDREWS: What is the ICC's position on monopoly powers if another Eastern railroad were to acquire Conrail? Does the ICC have a role to play in Conrail's sell-off, or is this strictly a function of DOT and USRA?

ANSWER: The Commission has not developed a position with regard to the impact on competition which would result from the purchase of Conrail by another Eastern rail carrier. Any ICC position would be based on the actual facts involved.

As for the Commission's role in Conrail's sale (or its implementation), it appears that such role is intended to be minimal under the governing statute, the Northeast Rail Service Act of 1981, although there are certain ambiguities concerning the relationship of NERSA and the Interstate Commerce Act. In any event, it is our understanding that additional legislation is contemplated prior to consummation of the sale of Conrail. At that time, Congress will have a chance to clarify any Commission responsibility concerning the financial transactions (including subsequent mergers) involving Conrail and other rail carriers.

RAIL ABANDONMENTS

SENATOR ANDREWS: The Staggers Act expedited the abandonment process. All abandonments, no matter how controversial, must be finally decided in less than nine months. Does this give the Commission enough time to fully consider all aspects of proposed abandonments?

ANSWER: The statutory periods of 49 U.S.C. 10904 are sufficient for full and complete consideration by the Commission

of all aspects of abandonment proceedings. However, they tend to restrict the ability of railroads and shippers to negotiate a non-abandonment solution within the limited time available. The nine-month period cramps negotiations because both sides are busy gathering and preparing evidence in anticipation of possible hearings.

SENATOR ANDREWS: Has the Commission taken any action to assure that its abandonment decisions are based on fully-developed case records?

ANSWER: In order to develop a complete record, the Commission first requires that notice be given to shippers, government agencies, and other interested persons prior to the filing of an abandonment application so that they have an opportunity to state their position before the Commission. The Office of Special Counsel is available to assist members of the public and local government and civic organizations in articulating their positions concerning the proposal. Then, the Commission requires the application to contain all facts supporting the abandonment.

When an abandonment application is filed and written protests are received, the Commission examines and considers the evidence presented in support of and in opposition to the proposed abandonment. If, after this examination, it is found that more evidence is needed to assist in determining what dispostion to make of an abandonment application, the Commission will direct that an investigation be instituted and that additional evidence be presented either under the Commission's modified procedure or by means of oral hearing. Should environmental factors be a consideration, the Office of Transportation Analysis may be requested to conduct an impact study. This process affords the parties ample opportunity to present evidence for or against a proposed abandonment and assures that Commission decisions are based on fully-developed case records.

SENATOR ANDREWS: Railroads process many abandonments all over their systems. Most communities and shippers face their first abandonment (probably even their particular line is proposed for abandonment). Does the ICC provide any assistance to first timers trying to develop their positions?

ANSWER: The Office of Special Counsel provides assistance to small shippers, grain elevator operators, farmers, ranchers, public officials and other members of the public who wish to participate in ICC abandonment hearings. The Office of Special Counsel's professionals advise participants on procedural matters, economic issues, and legal standards. The office counsels members of the public on how to prepare their testimony and legal documents in order to make sure the relevant facts are included in the record. The Special Counsel can help novices make sense of the technical issues. The Special Counsel has an experienced staff, with up-to-date knowledge of Commission practice, which has proven an invaluable, ready resource to countless individuals confronting the ICC for the first time. In addition to information about abandonment procedure, the office counsels concerned shippers and communities about alternatives to abandonment, including subsidies or attracting new short-line operators.

A letter received from Mr. Paul Jensen, the Secretary-Treasurer of the South Dakota Rail Users Association, which indicates the specific assistance that the Special Counsel provided in a proposed abandonment by the CNW Railroad, follows:

9 February, 1984

Mr. Reese Taylor, Chmn.
Interstate Commerce Commission
Twelfth St. and Constitution Ave. NW
Washington, DC 20423

Dear Mr. Taylor:

It is my understanding that the Office of Special Counsel within the ICC has been removed from the budget submitted to the OMB.

Last September Mr. Lonnie Blaydes and Mr. Jay Clark, Attorneys with that Special Counsel, found themselves in Western South Dakota. It would be fair to say that they recieved a hearty education in "WESTERN CIVILIZATION".

A group of Ranchers, Farmers and Grain Elevator Operators had banded together against what seemed huge odds to oppose and protest the abandonment of the Chicago and NorthWestern rail line.

As a member of that group, I can say that we were "out of our league" and leaned heavily upon these attorneys with their suggestions and expertise.

For those who believe that their mission is no longer vital, those of us on this rail line will say that they certainly made a good and great difference in our situation.

For those people in the future that may find themselves in a similar situation, I would hope that they could recieve such valuable assistance.

I am hoping for your consideration.

Sincerely,

Paul Jensen

Paul Jensen, Sec'y- Treasure
So. Dak. Rail users Ass'n.
Wall, South Dakota 57790

SENATOR ANDREWS: How many abandonment cases have been filed since Staggers? How many miles does this involve? How may have been granted, denied or dismissed? How many abandonments have been exempted from regulation?

ANSWER: There have been 383 abandonment cases filed since the Staggers Act (excluding Conrail abandonments, bankrupt abandonments, and exemptions) involving about 8,183 miles of track. Of this total, 366 have been granted, 7 denied and 10 dismissed. There have been 111 exemptions.

SENATOR ANDREWS: Has the ICC studied the effects of railroad abandonments on rural communities?

ANSWER: The ICC has completed numerous studies of the effects of railroad abandonments in rural as well as urban communities. Many detailed studies were completed in the mid-1970's at the request of several northeastern States and involved lines which were not included in the Conrail system. Additionally, for each railroad abandonment proposal, the Commission assesses the impact on rural and community development and completes an environmental impact assessment. If warranted, the Commission also completes an environmental impact statement. These documents describe the effect of the abandonment upon the human environment within the involved communities.

SENATOR ANDREWS: Has the ICC ever denied abandonment because of its adverse effect on rural and community development? How many? When?

ANSWER: Since the Commission began regulating rail abandonments in 1920, it has denied applications because of the adverse effect on rural and community development. For example, in Abandonment of Branch by Pere Marquette, 72 I.C.C. 267 (1922), abandonment was denied because of the protestants' substantial need for local rail service. Undoubtedly, a thorough check of Commission records would reveal many similar decisions over the last 60 years. In answering this question, however, the focus will be on abandonment acitivity since the enactment of the Staggers Rail Act of 1980 because of the substantially reduced regulation since that time.

Since the enactment of the Staggers Act, the Commission has denied four abandonments because of the adverse effect on rural and community development, among other reasons. Docket No. AB-1 (Sub-No. 137), Chicago and North Western Transportation Company--Abandonment--Between Mayfair and Weber Yard (Evanston), IL (not printed), served September 10, 1982; Docket No. AB-55 (Sub-No. 72), Seaboard System Railroad, Inc. Abandonment--In Bacon County, GA (not printed), served December 22, 1983; Docket No. AB-1 (Sub-No. 154), Chicago and North Western Transportation Company--Abandonment--In Stanley, Jones, Haakon, Jackson and Pennington Counties, SD (not printed), served February 22, 1984; and Docket No. AB-52 (Sub-No. 26), The Atchison, Topeka and Santa Fe Railway Company-Discontinuance of Service-In Harper and Sumner Counties, KS (not printed), served March 30, 1984. These decisions reflect the Commission's continued careful scrutiny of each abandonment application. Moreover, when the record shows

that the burden of continued operations to the railroad is outweighed by adverse effects on rural and community development the abandonment will be denied.

SENATOR ANDREWS: How often have lines slated for abandonment by Class I Railroads continued in operation by new shortline railroads? How many new shortlines have been created since Staggers? What does the ICC do, if anything, to facilitate this process?

ANSWER: The Commission's docket retrieval system is not structured to allow us to readily determine this data. However, the Commission's annual reports show the following number of reporting shortlines:

Fiscal Year	1981	1982	1983
Railroads, Class III	260	291	311
Railroad Lessor Companies	68	85	82
TOTAL	328	376	393

This table shows a 20% increase in the Class III and Railroad Lessor Companies since October 1, 1980.

In August 1983, the Commission's Rail Services Planning staff issued a brochure entitled, "Guidelines For Evaluating The Feasibility of Short Line Operations," which was prepared at your request. This document has been sent to almost 5,000 interested parties and has proven to be quite helpful to potential operators. Additionally, on February 25, 1982, the ICC adopted streamlined procedures in Ex Parte 392, Application Procedures for a Certificate to Construct, Acquire or Operate Railroad Lines. These streamlined rules contain special procedures for States or political subdivisions to operate abandoned rail lines. State operations can be undertaken by filing a notice with the Commission for a modified certificate of public commence and necessity, and operations can be commenced immediately upon filing such a notice. Also, in order to further simplify the acquisition process, the ICC considers petitions to waive certain other filing requirements that may be unavailable or unnecessary to evaluate the standard proposal.

The Commission has also granted exemptions from the requirements of the acquisition/operation procedures. Petitions seeking exemption from the normal common carrier obligation and procedures for terminating service have also been granted.

SENATOR ANDREWS: Railroad abandonment applications include many complicated calculations of various cost items, "opportunity cost", etc. Many times, farmers, elevator operators, and others opposing abandonments do not have the resources to hire experts to challenge these figures. Does the ICC take any steps to verify the railroad figures? How?

ANSWER: The Uniform System of Accounts for railroads provides data on a system basis (i.e., for the railroad as a whole). Therefore, absolute line specific values introduced in abandonment applications cannot be verified. However, operating expenses are reviewed to assure that they are developed in compliance with Commission regulations. The reasonableness of items such as rehabilitation cost and maintenance-of-way and structures expense, is measured giving consideration to internally generated data as well as information from other published

sources. Based on all pertinent data and staff expertise the reasonableness of the evidence is ascertained. Opportunity cost, as specifically mentioned, is developed using two components, (1) net liquidation value and (2) the appropriate rate of return.

Both the base (i.e., net liquidation value) and the rate are judged for reasonableness. Further, qualified experts, representing protestants views, often submit data relative to line specific train characteristics in opposition to applicant's claimed avoidable cost-revenue comparisons. These data are analyzed in detail and considered relative to ultimate findings.

SENATOR ANDREWS: The Feeder Railroad Development Program was added by the Staggers Act. (49 U.S.C. 10910) How many lines of railroad have been subject of the Feeder Railroad Development applications? How may have been approved?

ANSWER: Since passage of the Staggers Act, four lines of railroad have been the subject of three applications under the Feeder Railroad Development Program. Two of the applications have been approved; one application was dismissed as incomplete.

SENATOR ANDREWS: Why has this program been of such limited use? What has the Commission done to encourage the development of feeder lines?

ANSWER: There are a number of factors which may have contributed to the limited use of the Feeder Railroad Development Program. The intent of the Feederline Program is to permit entities to purchase light density rail lines, which may be potentially subject to abandonment, before they become the subject of an abandonment application. However, during the period immediately before and after the passage of the Staggers Rail Act, there were massive rail abandonments on the bankrupt Rock Island, the Milwaukee Road, and Conrail. These abandonments affected at least 35 States and focused concerns on actual abandonments rather than potential future purchases of marginal line segments which were not presently up for abandonment. Lack of available Federal funding for the program, as well as limited State funds, also had a debilitating effect on the program. Two other provisions of the Staggers Act may also have had a quieting affect. The "forced sale" amendments to the Commission's abandonment rules opened an option for the shippers and communities to wait until after an abandonment was approved to submit an offer of financial assistance to acquire the line. Since purchasers may have to pay a higher going concern value under the Feederline Program, and since most groups are not motivated until a crisis exists, there is little emotional or economic incentive to purchase it prior to an abandonment proceeding. The second element of the Staggers Act is the broadened authority of the Commission to grant exemptions in certain cases. One major advantage of the Feederline Program is the ability of the purchaser to elect to exempt itself from numerous Commission regulations; however, since the Staggers Act, many purchasers of abandoned properties have requested and been granted similar exemptions.

One final factor in the limited use may have been due to a possible procedural "flaw" in the timing of a Feederline application. There was a 90-day period in which a potential purchaser had to file its Notice of Intent to Purchase. A railroad could thwart this Intent to Purchase by filing an abandonment application during this 90-day period (since the Notice of Intent to Abandon only has a 30-day period). To correct

this deficiency, the Commission (on Feb. 22, 1983) amended its Feeder Railroad Development rules to accelerate consideration of feederline applications.

SENATOR ANDREWS: Have many lines have been subsidized or acquired under the provisions of section 10905? (offers of financial assistance to avoid abandonment and discontinuance).

ANSWER: Approximately 15 lines totaling 316 miles of railroad have been subsidized or purchased under 49 U.S.C. 10905 (excluding Conrail lines).

SENATOR ANDREWS: Has the ICC studied how this has worked? Do the potential operators of the new shortlines have enough bargaining power to negotiate fair agreements with their Class I connections? Does the ICC need more power to influence these arrangements?

ANSWER: The Commission has not made any studies of lines that were acquired or subsidized. Nevertheless, we are unaware of any serious problem areas. A shortline's bargaining power to negotiate these rates depends on the profit contribution of its traffic to the Class I connection. The stabilizing force in the negotiations is the threat to the Class I connection of losing the traffic to non-rail competition. For the most part, these short lines have developed successful joint and single line operations. Given the recent major restructuring of our rail system, these transfers appear to be working smoothly. Finally, we believe the Commission has adequate power to address any problems that may arise under 49 U.S.C. 10705.

SENATOR ANDREWS: Do shippers located on these new shortlines have access to the same rates and markets as similar shippers located on branch lines of Class I railroads?

ANSWER: In many instances, shippers located on new short lines have competitive rates and access to the same markets as similar shippers located on branch lines of Class I railroads.

However, the car supply situation for the Class I shippers and those of the the short line may be different, and in certain periods this could affect their accessibility to markets. The Class I carrier has far more internal and external leverage to obtain the necessary cars for its shippers. In many cases, the short line must rely on the Class I carrier for its car supply, and in times of car shortages the short line may have difficulty securing an adequate number of cars to meet its needs.

RAIL MERGERS

SENATOR ANDREWS: How many rail mergers have been decided since the 4-R Act? List them, including miles of rail and value of assets combined. How many independent Class I railroads existed in 1975? How many exist today? When is the last time the ICC denied a railroad consolidation application? Which one?

ANSWER: There have been 7 major rail mergers since the passage of the 4-R Act. The following is a table of the miles in each combined system, and the total assets of each system:

Name of railroad	Total system miles	Total assets 1983 (millions)
Detroit, Toledo & Ironton-Grand Trunk Western	445	$ 490.6
Burlington Northern-St. Louis-San Francisco	29,660	5,797.3 (1982)
Norfolk & Western and Southern Ry.	17,669	8,171.9
CSX (Chessie & Seaboard)	28,000	10,834.6
Union Pacific-Missouri Pacific-Western Pacific	22,297	6,838.3
Guilford (Boston and Maine)	3,830	103.9
Guilford (Delaware & Hudson)	1,700	113.9

In 1975, there were 41 Class I railroads. Today there are 22 Class I railroads. The last consolidation application to be denied was Missiouri Pacific's inconsistent application in St. Louis S.W. Ry. - Pur. - Rock Island (Tucumcari), 363 I.C.C. 321 (1980). A consolidation application by Norfolk & Western was also denied in Norfolk & W. Ry. Co.-Control-Detroit T. & I. R. Co., 360 I.C.C. 498 (1979).

SENATOR ANDREWS: Has the Commission undertaken any independent study to determine whether the benefits predicted in recent merger decisions have actually been achieved? Does the Commission have any evidence that the benefits have been passed on to the public in the form of lower rates?

ANSWER: We have not conducted studies to determine whether the benefits predicted in recent merger decisions have actually been achieved. Critical to such an analysis would be the ability to measure postmerger operations, traffic, finances and other impacts directly attributable to the transaction. In order to accomplish this, we would need to monitor the postmerger performance of the merged carrier. We believe that there are too many variables which preclude an accurate analysis: the state of the economy, the availability of capital, and changes in government policies and regulations. These variables prior to the merger proceeding may be different from those that exist after the consolidation. If so, the projections made by the carriers during the merger proceeding would be different from the actual benefits achieved after the merger.

We do not have specific evidence that the benefits have been passed on to the public in the form of lower rates.Here again, it is not possible to determine whether a rate has been decreased because of merger benefits or because of changing circumstances, such as those created by the Staggers Act.

SENATOR ANDREWS: When the Great Northern, Northern Pacific, and Burlington Railroads were given permission to merge (and create the BN), the ICC established conditions which were designed

to make sure shippers located on lines of smaller railroads would have the same competitive access as those on the BN. Are these conditions still in effect? Are alternative, "pro-competitive" conditions under study?

ANSWER: The conditions to which you refer are so-called "DT&I" conditions, and they are still in effect. They are named after the 1950 decision in Detroit, Toledo & Ironton R. Co. Control, 275 I.C.C. 455 (1950), in which the Commission developed a standard set of traffic protective conditions designed to insulate existing carriers from the competitive impact of rail mergers.

In a rulemaking decision in Traffic Protective Conditions, 366 I.C.C. 112 (1982), the Commission attempted to revoke all DT&I conditions imposed in past rail mergers and to allow persons wishing the conditions retained to present evidence of their continued consistency with the public interest in particular cases. However, this was overturned by the United States Court of Appeals for the Sixth Circuit in Detroit, Toledo & Ironton Railroad Company et al. v. Interstate Commerce Commission and United States of America, No. 82-3251 et al. (U.S.C.A. 6th., January 12, 1984). The court's decision mandated a case-by-case approach for revocation of DT&I conditions.

The Commission is currently considering BN's petition for revocation of the DT&I conditions imposed in the Northern Lines merger in Finance Docket No. 21478 (Sub-No. 5), Great Northern Pacific & Burlington Lines, Inc.-Merger, Etc.-Great Northern Railway Company, et al. Parties opposing the petition have asked for retention of the conditions and, in certain instances, have alternatively requested imposition of more narrowly focused conditions.

SENATOR ANDREWS: In the Union Pacific-Missouri Pacific-Western Pacific merger, various railroads were given trackage rights in order to ameliorate the reduction in competition brought about by the merger. Has the Commission studied whether or how these conditions have worked? Can you provide examples of how competition has been increased?

ANSWER: The Commission has not conducted studies of the economic effects of the trackage rights conditions imposed in the Union Pacific-Missouri Pacific-Western Pacific consolidation. The Commission believes that post-merger analyses would be extremely difficult to conduct and would not be likely to produce useful information.

The trackage rights conditions were not imposed for the purpose of increasing competition, and no examples of increased competition can be provided. The trackage rights conditions were imposed for the purpose of reducing or eliminating the anticompetitive impacts of the consolidations. As anticipated in the Union Pacific decision, the Denver and Rio Grande Western and the Southern Pacific are cooperating and promoting joint service through the central corridor using the granted trackage rights. Further, the Missouri-Kansas-Texas Railroad (MKT) has been able to negotiate a voluntary agreement with Union Pacific and Missouri Pacific regarding compensation for use of the rights granted to the MKT, indicating that MKT should be able to use its rights effectively in competing for Kansas and Nebraska grain movements to the Gulf Coast.

SENATOR ANDREWS: What public parties are actively participating in the CSX-American Commercial Barge Lines case? Are you satisfied that the record is being fully developed? What role is the Commission staff playing? Is the Office of Special Counsel involved?

ANSWER: The Department of Transportation (DOT) and the Tennessee Valley Authority (TVA) have been actively participating in the CSX-American Commercial Barge Lines proceeding. The Department of Agriculture has participated by submitting comments and evidence. The Department of Energy and several States submitted comments and the Governor of West Virginia has submitted comments and a verified statement.

We are attempting to fully develop the record and will hold oral hearings in the matter. The proceeding is being vigorously contested, and both sides have substantial resources available for presenting their positions. Further, DOT and TVA participation has assured presentation of public interest viewpoints.

The Commission staff will carefully analyze the record. Further, in order to promote the development of an adequate record, Commission staff prepared the supplemental information request which was served October 19, 1983. That decision required the submission of a substantial amount of data relating to the proposed transaction and to the economic impacts of the transaction. CSX and American Commercial Barge Lines filed a three-volume submission in response to the information request.

The Office of Special Counsel is not involved in the proceeding as a party but has responded to callers seeking assistance in matters related to the case.

SENATOR ANDREWS: Do you expect to have your Office of Special Counsel participate in the upcoming Santa Fe-Southern Pacific merger proceedings? Why or why not?

ANSWER: A majority of the Commission has voted to abolish the Office of Special Counsel. A majority of the Commission has voted to deny intervention by the Special Counsel in recent cases. Accordingly, it is not likely that the Special Counsel will participate in the upcoming Santa Fe-Southern Pacific merger proceedings.

SENATOR ANDREWS: Does the Special Counsel determine which cases he will participate in, or does the Commission do this? Does the Special Counsel have adequate resources to participate fully in major cases?

ANSWER: The Special Counsel does not determine independently which cases it will participate in. Since FY 1983, the Commission has required the Special Counsel to file petitions for leave to intervene in cases and then obtain approval of such petitions from a majority of the Commission. It is not the Commission's intent that the Office participate in these cases on a recurring basis. Therefore, we believe that the Office of Special Counsel has adequate resources to participate in cases when the Commission deems it appropriate.

COLLECTIVE RATEMAKING

SENATOR ANDREWS: The Staggers Act restricted collective ratemaking. Has this had any impact on competition? Can you provide any examples?

ANSWER: We are quite sure that the Staggers Act restrictions on collective ratemaking, which the Commission has implemented fully, have had a significant impact on intramodal competition. At the present not even broad tariff changes or general increases may be taken up collectively; all rate proposals must be handled on a "direct connector" basis. In a compliance survey of the Transcontinental Freight Bureau conducted in August 1983, we drew a random sample of 49 docket files dated January 1982 to July 1983 involving collective ratemaking; of these, 36 were broad tariff changes and 13 "direct connector" cases specific in nature. Only about 10 percent of all proposals during the period under study were handled collectively; the rest were handled by independent notice.

Examples of these independent actions include reduced rates on back-haul shipments by Conrail in 1981 and favorable rates to coal shippers by the Southern and Conrail in 1983. In the first case, Conrail established new reduced rates on back-haul shipments for certain movements in the States of Illinois, Kentucky, Indiana, and Ohio. These rates were needed so that excess empty gondola capacity could be more fully utilized. The results of this type of innovative rate were enhanced efficiencies and economies for Conrail and reduced rates to shippers. The second example is impressive since it involves actions taken by one railroad to protect its shippers, and a similar action by a competing railroad for the same reason. In 1983, Conrail lowered rates to coal shippers in Pennsylvania in order to make them more competitive with coal shippers in West Virginia. Shortly thereafter, Southern lowered rates for coal shipments to its shippers in West Virginia so they could maintain a viable position vis-a-vis Pennsylvania coal.

SENATOR ANDREWS: How does the Commission monitor the railroads' collective ratemaking? Have violations been found? What action does the Commission take if it finds violations? How many enforcement actions have resulted because of the changes in permissible collective ratemaking in the Staggers Act?

ANSWER: The Commission uses two methods to monitor the railroads' collective ratemaking: (1) compliance surveys, and (2) monitoring of rate committee meetings.

Violations have been found. After each compliance survey, if discrepancies are found, the rate bureau manager is advised of the corrective action that must be taken to attain compliance and is required to advise the Commission of the steps taken to bring about compliance. Should violations be discovered during monitoring visits, the same procedures are followed.

There have been several written notices issued to rail rate bureaus. Some letters cited practices which were contrary to revised statutory requirements. Other corrective actions have been required with respect to activities regarding per diem, mileage, demurrage, and storage agreement.

Because activity governed by the "direct connector" requirement is now the only permitted collective ratemaking, there has been very little recent ratemaking activity in the railroad rate bureaus. Thus, the response to the reduction in permissible ratemaking appears to be less dependence on collective ratemaking.

There has not been any instance in which a railroad rate bureau's non-compliance has risen to a level where it could not be handled by the described administrative handling. There have been

no enforcement actions resulting from changes in collective ratemaking in the Staggers Act.

SENATOR ANDREWS: To what extent has rate equalization among competing routes been transformed into a system whereby the most efficient routes have lower rates reflecting their lower costs? Can you provide examples?

ANSWER: We have had many suspension cases involving joint rate cancellations since the passage of the Staggers Rail Act, and most have been handled under pre-Staggers Act criteria which call for a showing among other things, of effects on efficiency. Judging on the basis of the cases we have handled, we see no tendency toward less routing efficiency resulting from joint rate cancellations. A more comprehensive finding based on a scientifically conducted survey must await completion of our current study of joint rate and reciprocal switching cancellations.

Some of the major cases involving joint rate cancellations have provided quantitative evidence of cost and circuity savings. In Docket No. 38676, Changes in Routing Provisions--Conrail--July, 1981, 365 ICC 753 (1982), the Commission considered a major cancellation involving through routes for the account of Conrail through approximately 100 interterritorial gateways. There, Conrail made what the Commission considered to be a strong case that line haul mileage would be reduced overall, resulting in an average reduction of transit time of 1.2 days and resulting in fuel savings of 2 million gallons a year.

RAIL COMPETITION

SENATOR ANDREWS: What measures has the Commission taken to increase competition between railroads?

ANSWER: The Commission's implementation of the 4R and Staggers Rail Acts has enhanced competition between railroads in several ways. The carriers' former antitrust immunity collectively to establish single-line rates has been withdrawn and joint-line rates may be discussed only between carriers that are direct connectors over a route. [Western Railroads - Agreement, 364 I.C.C. 1 (1980) and 364 I.C.C. 635 (1981).] Thus, each carrier now must determine its rate levels independently. Reduced rates may not be held unreasonable if they cover a carrier's direct variable costs [Cost Standards for Railroad Rates, 364 I.C.C. 898 (1981)] and may not be found discriminatory if they apply over different routes than rates with which they are compared. [49 U.S.C. 10741(f)(4)] These policies remove barriers to competitive rate reductions. Conditions were formerly imposed in merger cases that prevented merged carriers from pricing their direct service below competing joint-line service in which they participated. These conditions, which impaired competition by fostering rate equalization, will not be imposed in the future, [Traffic Protective Conditions, 366 I.C.C. 112 (1982)] and may be removed on an individual basis. Finally, contract rates [See 49 U.S.C. 10713] and exemptions from regulation (See, e.g., Improvement of TOFC/COFC Regulation, 364 I.C.C. 731 (1981) and Exemption from Regulation - Boxcar Traffic, 367 I.C.C. 425 and 747 (1983)] create ratemaking flexibility which encourages competitive responses to marketing opportunities.

SENATOR ANDREWS: Section 11103(c) permits the Commission to impose reciprocal switching agreements between railroads where such agreements are necessary to provide competitive rail service. How many cases have been filed under this provision? What have the results been? How have rates of compensation for reciprocal switching been determined? What has been the impact on competition? What has the Commission done to facilitate wider access to reciprocal switching?

ANSWER: Five cases have been filed under section 11103(c). All are administratively final. Reciprocal switching has been denied in one case. It has been granted in four, in two of which petitions for discretionary review have been filed and are pending. No requests pursuant to this section have been filed requesting the Commission to set rates of compensation. In three of the four cases requiring reciprocal switching, the Commission reached its decision after concluding that competition would increase, based on the "necessary competitive rail service" standard of section 11103(c). To facilitate wider access to reciprocal switching, the Commission interprets this standard to mean exclusively rail-to-rail competition. In its most recent decision, the only one decided by entire Commission vote, the Commission applied this standard while expressly recognizing the opposing argument that "a competing carrier will be able to impose a reciprocal switching agreement on serving carriers in every instance where a particular shipper or group of shippers has accesss to only one carrier." Delaware and Hudson Railway Company v. Consolidated Rail Corporation - Reciprocal Switching Agreement, 367 I.C.C. 718 (1983).

BOXCARS

SENATOR ANDREWS: Has the Commission been monitoring the impact boxcar deregulation has had on short line railroads and large and small grain shippers?

(If the answer is yes.) Can you give us a report on this monitoring activity? I would be interested in knowing whether large railroads have quoted large grain distributors lower rates then they quote small local grain elevators.

(If the answer is no.) Don't you believe the Commission has an affirmative obligation to determine whether deregulation is consistent with the public interest?

ANSWER: We have been monitoring the impact of boxcar deregulation primarily through discussions with various railroads, the Association of American Railroads, and the Shortline Railroad Association. Because of the relative newness of the exemption and pending court litigation on the matter, there has not been a great deal of railroad activity with the boxcar exemption. We expect to make a formal staff study assessing the impact of the boxcar exemption after sufficient time has elapsed.

Our study will address the public interest aspect of the boxcar exemption, as well as the impact on grain shippers. At this time, we feel the boxcar exemption will have a relatively minor impact on grain shippers since the latest AAR report indicates that 99% of all grain moves in covered hopper cars rather than boxcars.

SENATOR ANDREWS: It is my understanding that the short lines and a number of Regional Class I railroads have appealed the Commission's decision on deregulation of boxcar traffic. What is the current status of this court litigation?

ANSWER: The case is currently pending in the United States Court of Appeals for the District of Columbia Circuit in Brae Corporation, et al. v. United States, No. 83-1462. Motions to stay the Commission's decision (as it applies to other than Class III railroads) were denied by the court and the exemption became effective on January 1, 1984. (Cars owned or leased by Class III carriers will not be affected until July 1, 1984.) Petitioners filed their opening briefs on January 24, 1984; the brief of the ICC and United States of America in response was filed on March 12; and petitioners' reply briefs were filed on April 10. The court has tentatively indicated that it will schedule the case for oral argument in late May or early June.

SENATOR ANDREWS: I know you dissented from the boxcar decision and presumably you would not be upset by a court reversal. Can you tell me whether the majority of the Commission has formulated a plan for re-regulation of boxcar traffic in the event of a court reversal?

ANSWER: You are correct. I would not be upset, nor surprised, should the court reverse the boxcar decision. The majority has not, to my knowledge, formulated any type of re-regulation plan.

SENATOR ANDREWS: Do you know of any plan at the Commission to deregulate hopper car traffic? (If yes.) Has the Commission concluded that grain shippers and receivers do not need protection from railroads such as the BN?

ANSWER: The Commission has no plans to deregulate hopper car traffic.

SENATOR ANDREWS: Do you know of any plan at the Commission to deregulate traffic transported in other types of railroad equipment?

ANSWER: There is no plan at the Commission at this time to deregulate traffic transported in other types of railroad equipment.

CONTRACT RATES

SENATOR ANDREWS: On March 13, 1984, the Commission submitted a report on Railroad Contract Rate activities. Are you familiar with that report? Did you or the Commission approve that report or is it only a staff document?

ANSWER: I am familiar with the report. The report is a staff document that was not circulated to the Commission for approval.

SENATOR ANDREWS: That report in the "Summary" section states in part as follows:

"Contract rate-making has proven to be one of the most successful deregulatory measures provided by the Staggers Act. In a relatively short period of time, contract rataes have become a valuable tool in railroad pricing with carriers and shippers privately negotiating a variety of innovative contracts tailored to meet their specific needs."

Has the Commission ever seen a bad contract from a public interest standpoint since enactment of the Staggers Act?

ANSWER: The Commission does not routinely make an in-depth analysis of confidential contracts. Based on our overall processing of contracts and consideration of the limited number of protests received, we are not aware of any contracts that would be considered bad contracts from a public interest standpoint.

SENATOR ANDREWS: Has the Commission ever rejected a contract filed under Section 208 of the Staggers Act? (If yes, how many?)

ANSWER: Since the Staggers Act became effective, the Commission has rejected 104 contracts. The majority of these contracts violated technical filing requirements.

SENATOR ANDREWS: Has the Commission ever ordered into investigation a contract filed under Section 208 of the Staggers Act? (If yes, how many and what were the results of the investigation, i.e., were the contracts approved or disapproved?)

ANSWER: Yes. The Commission has ordered investigation of three rail contracts filed under Section 208 of the Staggers Act. Here are the details and action on the three cases to date. All involve lumber or forest products.

1. Docket No. 39678, Southern Pacific Contract, ICC-SP-1349, filed January 18, 1984. Contract approved.
2. Docket No. 39683, Southern Pacific Contract, ICC-SP-C-1371, filed January 28, 1984. Contract approved.
3. Docket No. 39709, Southern Pacific Contract, ICC-SP-C-1418, filed February 15, 1984. Awaiting Commission action.

GRAIN CONTACT RATES

SENATOR ANDREWS: In the section of the report dealing with grain contracts (sheet 10) it is stated that, "In mid-1983, there were approximately 550 bulk grain or soybean contracts on file." However, on sheet 8, in a tabulation of "contracts by major commodity groups on file January 1, 1984" the following information is set forth on grain.

	No. of Contracts	Percent
"Grain/Grain Products....	1,792	14.6%

How do you reconcile the 550 bulk grain or soybean contracts in mid-1983 with the 1,792 grain/grain products contracts six months later?

ANSWER: The 550 bulk grain or soybean contracts in mid-1983 did not include grain product contracts on such commodities as flour, feed, feed ingredients or soybean meal. In mid-1983, the total of both bulk grain/soybean contracts and grain product contracts was approximately 1,033. The January 1, 1984, figure represents both bulk grain/soybean contracts and grain products contracts and represents a six-month increase of 759 contracts over the combined mid-1983 total of 1,033.

SENATOR ANDREWS: Can you tell me how many of the 550 contracts or 1,792 contracts represent soybeans, hard red spring wheat, sunflower, durum, barley?

ANSWER: It is not possible to provide a meaningful breakdown by specific grain commodities because broad generic terms are used in contract rates. Most bulk grain contracts indicate commodity descriptions such as "grain" or all bulk grains that may be

handled by the contracting party such as "wheat-corn-sorghum-soybeans." Also, most contracts on wheat indicate only the generic term "wheat" and do not differentiate between spring wheat, winter wheat, durum, and so on.

SENATOR ANDREWS: Can you tell me how many of the grain contracts on file with the ICC are with North Dakota shippers?

ANSWER: A review of the confidential contracts shows two contracts executed with North Dakota grain shippers. However, most contracts are with the major buyers of grain and not with origin shippers. There are numerous destination type contracts that apply on North Dakota grain.

SENATOR ANDREWS: The report on page 10 states, "In order to ascertain the characteristics of grain and soybean contracts, we reviewed 115 of the initial contracts filed by the Santa Fe, Burlington Northern, Baltimore and Ohio and Conrail." What is the significance of "initial contracts"? Are these initial contracts still effective contracts?

ANSWER: There is no special significance to the term "initial contracts". We were simply referring to the first 115 grain contracts filed by these carriers. Most of these contracts have expired.

SENATOR ANDREWS: The report goes on to state "Some 73 different grain firms executed the 115 contracts filed by the four Class I carriers. No multiple shipper/receiver contracts were noted". What is the significance of failing to note "no multiple shipper/receiver contracts"? Where the shipper and receiver one and the same entity in these 115 contracts?

ANSWER: The absence of multiple shipper/receiver contracts was noted to emphasize the somewhat surprising fact that 73 different firms were involved in the 115 contracts. We had expected to find a number of contracts (particularly on branch lines) where several country elevators were parties to the same contract. Instead we found a variety of contracts executed with individual shippers or receivers. We did not note any contracts where the shipper and receiver were one and the same entity.

SENATOR ANDREWS: On sheet 11 of the report the following paragraph is set forth.

"Contracting grain firms include exporters, processors, feeders, country elevators, merchandisers and many of the large farm cooperatives. Most of the firms entering into contracts with the large Class I carriers were receivers or buyers of grain while most of the short lines contracts were with origin shippers." Aren't there more origin shippers than receivers or buyers of grain?

ANSWER: Yes. There are about 15,000 origin grain shipping facilities in the country. However, the grain market historically has been a buyers market. Contract negotiating leverage rests largely with the buyers who have a wide range of suppliers, volume requirements, and transportation alternatives. For example, an exporter setting up a 100,000-ton wheat export movement from Houston could purchase wheat either of Santa Fe origins or Union Pacific origins. The exporter would then be in a position to negotiate a rail contract with whichever carrier gave him the best deal. The origin shippers are not parties to the contract and may

not ever be aware that the grain they are selling is moving under a special contract rate or allowance arrangement.

SENATOR ANDREWS: Aren't most of the buyers of grain large agro-conglomerates?

ANSWER: In the case of export grain, we believe that most of the buyers could be called agro-conglomerates. However, with respect to grain for domestic purposes, buyers include a variety of users such as flour mills, breweries, processors and feed lots, many of which could not be considered agro-conglomerates.

SENATOR ANDREWS: Are the rates assessed independent country elevators or farmers' cooperatives under contract with the four studied Class I carriers the same, higher or lower than the rates assessed large buyers or exporters of grain?

ANSWER: It is not possible to make a general comparison of contract rates among the various contracting parties. Most contract rates largely reflect the competitive transportation available and the negotiating ability and aggressiveness of the various parties. Numerous factors such as volume, shipper equipment, origins/destinations, available competitive transportation, liability clauses, duration of contract, and penalty charges are all considered in arriving at a negotiated rate that is acceptable to both the carrier and shipper. More importantly, in any rate comparison, the actual volume shipped is a key factor because different rates or allowances may be based on varying volume requirements within the same contract. For example, in many contracts the actual rate or allowance cannot be determined except by the contracting parties when volume requirements are met, which may be a year after the contract becomes effective.

SENATOR ANDREWS: Mr. Chairman, if there are 2 elevators each having the same capacity in a town served by one Class I railroad, is it permissable (is it fair) for the railroad to enter into a contract with one elevator setting forth a rate below the published tariff rate and refuse to enter into a contract with the second elevator?

ANSWER: If all transportation terms and conditions were equal, we believe it would not only be unfair but discriminatory to contract with one elevator and refuse to contract with the other. Also, the anti-trust laws are a powerful deterrent against this type of pricing practice by a railroad.

Although that type of discriminatory activity is not permissable under ICC regulations, we do not have authority to take action unless a protest is filed by an elevator operator.

SENATOR ANDREWS: How does the second elevator find out that the first elevator has a contract with the railroad?

ANSWER: In practice it would be difficult for the second elevator to become aware of the first elevator's contract unless it was informed by the railroad or the first elevator. While the railroad's contract summary of non-confidential terms is available to the public at the Commission and the second elevator has the right to protest the contract seeking equal treatment and may even seek to see the contract itself under discovery, the fact is that the first elevator's contract would probably be effective for some time before the second elevator even became aware of it and then the protest period would have elapsed.

SENATOR ANDREWS: Do you know of any examples where in a situation such as I have described the elevator denied a contract rate has gone out of business because it could not compete in the purchase of grain and pay higher transportation charges?

ANSWER: We are not aware of any such situations.

SENATOR ANDREWS: If one of two competing elevators in a town is forced out of business because it is denied a contract rate, do the farmers in the area benefit from this lack of competition?

ANSWER: In this situation, we must assume that farmers were selling their grain to the elevator with contract rates because they were receiving better prices for their grain. Accordingly, it would seem that the farmers were benefiting since they were abandoning one elevator in favor of another. In the long run, this lack of elevator competition could hurt farmers. However, if the contracting elevator retained the leverage to negotiate reduced rates and continued to pass some savings on to farmers, there is no reason why farmers would not continue to benefit from reduced contract rates.

BUS REGULATORY REFORM

SENATOR ANDREWS: Has implementation of the Bus Regulatory Reform Act of 1982 gone smoothly?

ANSWER: Most provisions of the Bus Act did not become effective until 60 days after enactment in order to allow time for development of new rules before the effective date. After the A't was signed by the President on September 20, 1982, the Commission moved expeditiously to propose implementing rules, so that the new eased regulatory scheme could be in place when the Act's provisions became effective. The Commission was successful in completing these proceedings in this very short timeframe, thereby allowing for an expeditious and smooth transition to the more competitive environment envisioned by the Act.

In the time since enactment of the Bus Act, many firms have come forward to take advantage of the new operational freedoms offered them by the Act. The Commission's staff has conducted an extensive study on the effects of implementation of the Act on the industry and the public. A report on this study was issued in January 1984. We intend to continue to monitor the effects of our implementation, particularly the impact and extent of service discontinuances, and will be reporting our findings to Congress.

SENATOR ANDREWS: Is implementation of the Bus Act achieving the goal of increasing competition along with reducing regulation? How?

ANSWER: There is no doubt that the Bus Act has succeeded in creating a more competitive environment for the intercity bus industry. This competitive activity is perhaps most evident in the area of entry. Major carriers have used the relaxed entry standards of the Act to expand their route structures, while smaller carries have taken this opportunity to enter into or expand their regular route operations. In particular, there has been a dramatic increase in charter services.

As we reported in our testimony at oversight hearings last November, from the Act's passage until mid-October, 1983, more than 2,000 applications were filed by new and existing firms for regular route and charter authority. Of the total, 1,097 were filed by new applicants and 931 by existing carriers. Thus, it is

clear that the entry provisions of the Bus Act are having their intended effect. Approximately 200 of these applications were for regular route authority. Regular route applications comprised about 10 percent of all applications for permanent passenger authority over this period.

In the area of charter and tour services, low entry costs, as indicated, have induced many new entrants to take advantage of the Bus Act. More than 1,700 charter applications were received during this time period, and it appears that more than half were from first time applicants.

The industry has also demonstrated a more competitive spirit as the carriers have responded to the rate freedoms contained in the Bus Act. Although the major carriers have established a number of discount programs, fare increases have also occurred on certain routes as the industry struggles to overcome its generally weakened financial condition resulting from the recent recession. For example, certain carriers including Greyhound elected to take advantage of the zone of ratemaking freedom established by the Bus Act and increased their fares by 2 percent in January 1983. Effective March 5, 1983, interstate passenger fares were raised for these carriers by 8 percent and for others by 10 percent through a general rate increase filed by the National Bus Traffic Association. Responding to the more competitive market created by the Bus Act, however, carriers have also filed a number of independent rate actions. The majority of these independent rates have been filed by carrier members of the National Trailways Bus System and Greyhound.

The Commission believes that this activity in the entry and rate areas demonstrates that the Bus Act has succeeded in its primary goal of reducing regulation in order to create a more competitive environment for the intercity bus industry.

SENATOR ANDREWS: With appeals of intrastate rate and exit decisions coming for the first time to the ICC, what assistance has the ICC offered to the public?

ANSWER: The Office of Special Counsel has offered assistance to the public pursuant to 49 USC 10321(b)(4), which authorizes the ICC to offer administrative assistance in the new intrastate bus rate and exit appeals under the Bus Act. The Office of Special Counsel has prepared and updated 2 booklets on ICC regulations and procedure in the rate and exit cases. These booklets have been sent to every State transportation regulatory agency and also widely circulated in response to inquiries.

The Office of Special Counsel, jointly with the Small Business Assistance Office, conducted 11 regional educational seminars throughout the country on the Bus Act. The informational booklets were also made available to the State regulatory officials, local government officials, and small bus company operators who attended the seminars.

The Office of Special Counsel receives a large volume of inquiries regarding pending intrastate bus rate and exit proceedings. The office responds with advice on regulations, procedure, and precedent to the state and local officials, members of Congress, and others who request assistance.

SENATOR ANDREWS: What has been done to assure that a complete record is compiled in appeals of intrastate rate and exit cases at the ICC?

ANSWER: The Commission has adopted rules for the filing and processing of petitions for review of State regulation of intrastate rates (49 CFR Part 1143) and for permission to discontinue intrastate bus service (49 CFR Part 1169). These rules are specific in describing the information that the petitioning carriers and those opposing the petition must submit. In the rates area, the carrier's petition shall include, among other data, (a) a copy of the entire State record, if available, (b) other new evidence deemed relevant, and (c) written argument detailing reasons that the State action should be reviewed. Replies to the petition shall include (a) written argument detailing reasons the State's action was reasonable, and (b) matters addressing any new evidence submitted by the carrier. The carrier must serve the petition on the State Governor, on the State authority which denied or failed to act on the carrier's request at the State level, and on all parties of record in the proceeding at the State level, to give notice to those who have, or might have, an interest in participating in the proceeding and contributing to the case record. Exit petitions must be served upon the Governor of the State in which the transportation is provided, the State body having jurisdiction over discontinuance requests, local governments (both counties and municipalities) having jurisdiction over areas that would be affected if the petition is granted, and each party of record to any State proceedings involving the request. The petition shall include, among other data, (a) a copy of the State decisions (if any) denying the carrier's request, (b) a description of the carrier's pertinent present operations and the way the proposed change in service will affect those operations, (c) any description of the State proceedings deemed relevant to the petition, (d) calculation of the annual interstate and intrastate passenger and package express revenues which accrue as a result of the service to be affected by the proposal, with an explanation of how the revenues were calculated and of any assumptions underlying the calculations, (e) a description of the rates and pricing practices applicable to the affected service, (f) calculation of the variable cost of operating the affected service, with an explanation of how the costs were calculated and of any assumptions underlying the calculations, (g) a description of any present operating subsidies or financial assistance applicable to the affected service, and of any proposals or discussions with respect to operating subsidies or financial assistance which have occurred during the year preceding the filing of the petition, (h) a description of any other public transportation facilities known by the carrier to be available for passenger service at the points on the routes affected by the proposal, and (i) any additional evidence or argument deemed relevant. Objections to exit petitions shall include (a) a description of any relevant operating subsidies or financial assistance known to have been offered to the carrier to support the involved service, including the amount available and the financial qualifications of the person making the offer, (b) a description of the adverse impact the proposal would have on the public interest, (c) an analysis of the interstate and intrastate revenues derived from the service, the pricing practices applied to the service, and the variable costs of operating the service, and (d) any additional evidence or argument deemed relevant. A carrier in rebuttal must furnish (a) an estimate of the annual subsidy required, if any, to continue the involved service, and (b) traffic, cost, revenue, and other data necessary to determine

the amount of annual financial assistance, if any, which would be required to continue the service. Additionally, any financially responsible person who intends to offer an operating subsidy or financial assistance to enable a carrier to continue providing service must notify the Commission and the carrier, indicating the amount of the subsidy or assistance being offered and demonstrating the offeror's financial responsibility.

To assist public participants in presenting their cases as effectively as possible, the Office of Special Counsel has prepared, updated, and circulated widely 2 booklets on ICC regulations and procedure in appeals of intrastate rate and exit cases. These booklets assist State regulatory commissions and other members of the public to frame their pleadings and marshall their evidence in the most complete and effective manner.

SENATOR ANDREWS: What has the Office of Special Counsel done to assist in implementation of the Bus Act?

ANSWER: The Office of Special Counsel made a major contribution to the smooth implementation of the Bus Act. It participated in six major rulemakings implementing the Act, presenting suggestions to facilitate public participation and compiling a complete record at the ICC.

It also has published, updated and distributed two guides for participants in proceedings under the Bus Act. One publication deals with procedures and one discusses technical cost issues. The Office of Special Counsel conducted eleven regional educational seminars on the new bus regulatory process and followed up with distribution of the publications to seminar participants.

The Office of Special Counsel has advised and continues to respond to inquiries from many public parties participating in intrastate rate and exit cases at the ICC. It offers information and advice concerning regulations, procedures, and precedents to assist public parties to frame an effective case. Because of the short timeframes under the Bus Act, it is critically important that States and communities know whom to contact for assistance and that such assistance be prompt and responsive.

SENATOR ANDREWS: Do you anticipate that this assistance will be needed in the future?

ANSWER: Yes. The Commission is receiving 3-4 appeals monthly from bus carriers seeking to overturn State Commissions' decisions on bus discontinuance and rate increase requests. While Greyhound has indicated that the majority of its requested discontinuances has already been filed, smaller carriers are likely to continue to eliminate service, particularly to small towns and rural areas. Rate cases especially are likely to be filed with the Commission on a regular basis. The Special Counsel's assistance will still be necessary and appropriate if State Commissions and other parties who are unfamiliar with Federal regulations are to participate in the bus decisional process.

SENATOR ANDREWS: I note that a majority of the ICC has voted to eliminate the Office of Special Counsel, but to retain its personnel and functions within the agency. Do you think this can be done effectively?

ANSWER: No. At various times it has been suggested that Commission offices which have some public assistance duties be

consolidated. In September 1982, I directed that a special study be done on the matter. An exhaustive evaluation of various alternative configurations was performed. I was initially attracted to the idea of reducing the number of offices within the Commission, but my conclusion changed after the study was performed. I remain convinced that there are significant benefits to maintaining the Office of Special Counsel as a separate office, and there is no advantage to dividing its functions and personnel among other Commission offices.

Within the Commission, this office provides a focal point for public assistance. The Office of Special Counsel has an experienced staff that is able to respond rapidly. The ability to respond quickly is a critical advantage in view of the short timeframes with which the Commission must comply in rail and bus cases. There is widespread public support for the continuation of a separate office.

Other offices have numerous other functions: to enforce law and regulations, to draft timely decisions for the Commission, and to perform various studies. In some cases public assistance may conflict with other functions those offices may regard as more primary. The primary focus of the Office of Special Counsel is to assist and counsel the public. If the personnel are scattered, I am concerned that the function may not continue to be performed as ably as it is now, or that the Commission may lose the services of the highly qualified and experienced personnel of that Office.

It is true that all Commission employees are concerned with the public interest. However, a fragmentation of the Commission's public assistance functions now performed by the Office of Special Counsel would unnecessarily reduce the quality of our performance during a period of rapid regulatory changes.

SENATOR ANDREWS: Has the ICC been able to meet the tight statutory deadlines for exit and rate appeal cases?

ANSWER: The Commission has met statutory deadlines in all but one of the exit and rate cases involving review of State action. In the one case, a proceeding involving a petition by Greyhound Lines, Inc., for permission to discontinue transportation over various routes in California, the Commission rendered a first decision after the deadline because the case represented a change in Commission policy and additional time was deemed necessary in order to resolve difficult issues and to interpret the new statute. Greyhound's request was the third exit petition filed after the effective date of the Bus Regulatory Reform Act of 1982.

SENATOR ANDREWS: Have there been any denials of exit appeals?

ANSWER: The Commission has dismissed one exit petition for lack of jurisdiction (Greyhound Lines, Inc., - Georgia) and partially denied another (Greyhound Lines, Inc., - Texas). A petition of Virginia Stage Lines, Inc., for permission to exit certain West Virginia routes was initially denied by the Commission. However, on appeal by the carrier, the denial was reversed on the basis of material errors in the prior decision, and the petition was granted. All other decided petitions have been granted.

SENATOR ANDREWS: In considering an exit case, what weight does the ICC accord the statutory consideration of whether the transportation is the last motor carrier passenger service available to that point or whether a reasonable alternative is available? What does the ICC consider to be a reasonable alternative?

ANSWER: In making its findings in exit cases, the Commission is directed by the statute to consider, to the extent applicable, at least, (1) the national transportation policy of 49 U.S.C. 10101, (2) whether the carrier seeking to discontinue service has received an offer of, or is receiving, financial assistance to continue the involved operations, and (3) whether the carrier is the last motor carrier of passenger service to any point to be abandoned and whether a reasonable alternative to such service is available. In cases involving routes for which the carrier was granted authority to provide interstate passenger transportation before August 1, 1982, the Commission is directed also to accord great weight to the extent to which interstate and intrastate revenues received for providing the transportation to be discontinued or reduced are less than the variable costs of providing such transportation. All exit proceedings determined by the Commission have involved pre-1982 interstate routes, and the availability of reasonable alternative service has been only one of several factors considered.

The weight accorded evidence of alternative service depends upon the circumstances presented in each proceeding. Where there is evidence that a petitioning carrier's variable costs exceed its revenues, that cost and revenue data is given great weight and can be determinative of whether continuing a service constitutes a burden on interstate commerce. The availability of reasonable alternative service then goes to determining the public interest aspects of a discontinuance proposal. However, it alone is not determinative but, rather, is balanced with consideration of cost-revenue data, the goals of the national transportation policy, and the existence of any offers of subsidy. In addition, any other pertinent public interest information presented also must be considered. All these factors become more significant when cost and revenue evidence is inconclusive and cannot be accorded the weight mandated by statute.

The mere identification in an exit case of points and populations that will lose bus service cannot be taken alone as a sufficient showing of public interest to warrant denial of an exit petition. The goals of the national transportation policy do require the Commission to see that the needs of passengers and shippers are met and to provide and maintain service to small communities, small shippers, and intrastate bus services. However, the question is not simply whether losses of service will result, rather, the Commission must also consider the goals of allowing the most productive use of equipment and energy resources, enabling efficient and well-managed carriers to earn adequate profits and attract capital, and of improving and maintaining a competitive, privately owned, motor carrier system. To that end, carriers seeking to exit should not be required to continue unprofitable operations which jeopardize their ability to provide service on their other routes by requiring cross-subsidization by successful operations. Consequently, the question of whether discontinuance is consistent with the public interest requires a balance between the local interests in support of continuing the involved service and the policy of the Bus Act

that favors exit from unprofitable routes. Where reasonable alternative service is available, it is important to the extent that it reduces the impact of the loss of service and thus promotes the policy goals of maintaining service.

The statute does not define "reasonable alternative." What is reasonable, therefore, depends on the circumstances in each proceeding and the extent to which the public's interest in continuing service is reflected in the record. For example, an absence of meaningful evidence addressing the public interest impact of discontinuance belies a need for an exact replacement service and, in such instances, "reasonable" may mean no more than service over other routes proximate to those being discontinued or access to bus service at other points rather than at points to be abandoned. In other instances, a specialized service for very limited needs (e.g., to transport senior citizens) may be considered a reasonable alternative to discontinued service.

SENATOR ANDREWS: Have new smaller operators appeared to serve intrastate routes abandoned under the Bus Act?

ANSWER: In some instances where bus routes have been abandoned, smaller local or regional bus firms have come in to serve intrastate routes. A 1983 survey by the American Association of State Highway and Transportation officials found approximately 80 towns on 19 bus routes in 11 States where some service had come in to replace abandoned routes. A follow-up of this study by our staff, however, showed that the quality of this replacement service was unique to each situation, ranging from an eventual total loss of service,where the new carrier went bankrupt (about one-third of the instances), to successful operations by new local or regional firms. Jack Rabbit Lines (a regional carrier), for example, has taken over several abandoned routes in the Midwest. Many communities, however, experienced some decline in the level of service provided. In some of the more successful instances, vans were utilized in place of full size buses. Also, several of the more successful replacement operations were conducted by locally-owned affiliates of the Trailways system. It appears to be the policy of Trailways to encourage their local or regional independent affiliates to take over abandoned routes or routes where abandonment is being contemplated.

SENATOR ANDREWS: The joint Interstate Commerce Commission - Department of Transportation Bus Terminal Study ordered by the Bus Act was due to be submitted to the President and Congress by December 31, 1983. What is the status of this study?

ANSWER: The joint Interstate Commerce Commission - Department of Transportation bus terminal study primarily consists of data from two surveys of approximately 2,600 respondents: terminal and station managers and Interstate Commerce Commission certificated motor passenger carriers. Analysis of the survey results is continuing and a draft report should be ready for Interstate Commerce Commission, Department of Transportation, and Office of Management and Budget approval by the end of May, 1984.

SENATOR ANDREWS: Have there been any denials of intrastate rate appeals and, if so, on what grounds?

ANSWER: There have not been any denials of intrastate rate appeals. Two petitions of carriers (Peter Pan Bus Lines, Inc.,

Massachusetts and Greyhound Lines, Inc., Missouri) have been dismissed by the Commission for lack of jurisdiction.

SENATOR ANDREWS: One of the rebuttable presumptions in a rate appeal is that if an intrastate rate is lower than the comparable interstate rate, there is a burden on interstate commerce. Has this presumption ever been rebutted? Is it possible that the transportation characteristics of an intrastate route could differ enough from those of an interstate route to rebut the presumption? If not, how could this presumption be rebutted?

ANSWER: To date, the rebuttable presumption that if an intrastate rate is lower than the comparable interstate rate, there is a burden on interstate commerce, has not been rebutted. It is, however, possible that the transportation characteristics of an intrastate route could differ enough from those of an interstate route to rebut the presumption.

SENATOR ANDREWS: Do you think that the Bus Act is working properly or are revisions needed?

ANSWER: The Commission views the Bus Act as a success. There has been a significant amount of entry into the industry as new carriers begin operations and existing carriers expand. Carriers are taking advantage of the reforms of the Act to rationalize their route structures. Noncompensatory rates are being increased, while innovative discount programs are being instituted as carriers become more competitive. This increasingly competitive environment will result in improved price and service choices which will benefit both the industry and the public.

The Commission is aware of the service dislocations which are resulting in some areas as the major carriers rationalize their systems. However, these dislocations were expected and are now beginning to taper off. For example, Greyhound has testified that they moved to rationalize their route structure immediately after passage of the Bus Act, and that no further "waves" of discontinuances are anticipated. Where bus service is truly essential, we believe that replacement service will develop to meet the need, perhaps through the utilization of smaller vehicles, local subsidies, or less frequent schedules.

Although the industry is already responding positively to the operational freedoms afforded by the Bus Act, experience with other industries demonstrates that it may be another year or two before the full impact of bus regulatory reform is realized. Therefore, the Commission believes that more time is needed to allow the industry and the public to adjust to the new competitive environment and to allow the Commission to assess its impact. Accordingly, we would not recommend any revisions at this time.

SMALL RAILROADS

SENATOR ANDREWS: Has the Interstate Commerce Commission studied the effect of the exemptions from regulation which have been granted (fresh fruits and vegetables, export coal, boxcar traffic) on small railroads? Have they been able to maintain their competitive position in the absence of Commission willingness to impose mandatory joint rates, or restrain unreasonable discrimination by connecting carriers?

ANSWER: We have not yet studied the effect of our exemptions specifically on small railroads, but we do expect to do so as part

of our short- and long-term monitoring programs. We are aware that unreasonable discrimination by connecting carriers was a major issue in the boxcar exemption proceeding. Although we do not know the extent to which small railroads have been able to maintain their competitive positions, we intend to give it particular attention in our formal monitoring program.

SENATOR ANDREWS: Has the Interstate Commerce Commission studied the effect of recent railroad mergers on small railroads? What has been the effect?

ANSWER: We have not studied the effect of recent railroad mergers on small railroads. However, in our rail consolidation proceedings, we have always considered the effects on all railroads in the regions served by the proposed system. Under 49 U.S.C. 11344(c), we have very broad conditioning powers. If we find that a carrier will be unable to perform its essential service due to the impact of the proposed merger, we can remedy this situation when approving the consolidation by conditioning the rail merger in order to preserve these services.

SENATOR ANDREWS: How many times has the ICC exercised its authority to require larger railroads to enter into reasonable joint rates with short lines?

ANSWER: Although the Commission has the authority to prescribe through routes and joint rates, rarely has this been exercised. Indeed, requests for this type of relief under 49 U.S.C. 10705 have been extremely rare. The Commission has, however, required the maintenance of joint rates in certain circumstances where a joint rate cancellation would have a serious effect on a carrier's stability. In the only case in recent history, No. 38676, Changes in Routing Provisions-Conrail-July 1981, 365 I.C.C. 753 (1982), the Commission found that Conrail's proposed cancellations of joint rates on routes through gateways were shown to be consistent with the public interest under 49 U.S.C. 10705(e), with one exception. The Green Bay and Western Railroad, a Class II carrier, alleged that the proposed cancellations would destroy its economic viability, leave it without an Eastern connection for joint rates, and eliminate competition alternative routings through a certain gateway.

The Commission concluded that Conrail's cancellation of joint rates on through routes through the Toledo Gateway in connection with the Chesapeake and Ohio Railroad was not in the public interest to the extent that such cancellation might affect connections available to Green Bay and Western Railroad at Kewaunee, Wisconsin. Thus, the Commission recognized that cancellation would put Green Bay in a "uniquely difficult position". Conrail was required to reestablish its through route through the Toledo gateway as set out in that decision.

SENATOR ANDREWS: Does the ICC do anything to prevent Class I carriers from insisting on proportional rates or surcharges which minimize the profits of small railroads without alternative connections?

ANSWER: The joint rate surcharge and cancellation provisions of the Staggers Rail Act of 1980 (49 U.S.C. 10705a) and the traditional cancellation procedure under 49 U.S.C. 10705 have provided railroads with greater freedom to adjust their joint rates without the concurrence of their connections. However, when one railroad unilaterally surcharges a rate, its connections' traffic may be

affected. Section 10705a contains certain remedial provisions (known as the Lee Amendment) to protect Class III carriers from adverse impact of surcharges and cancellations. These additional protections were given to short lines "in recognition of the public interest in preserving short line railroads as effective competitors." (126 Cong. Rec. H 8552, September 9, 1980.)

Under subsections 10705a (i), (j) and (k) (Lee Amendment) aggrieved Class III carriers may protest surcharges or cancellations which are alleged to be anti-competitive, which will unduly affect the complaining carrier's ability to earn an adequate rate of return, or which create unreasonable differences in existing rates. In these limited circumstances, the Commission may require a surcharging or cancelling carrier to move traffic at less than 110 percent of variable cost, if it determines that such relief is warranted by the public interest in preserving rail service or ensuring competition among rail carriers. See Ex Parte 427, Joint Rate Study, A Report to Congress pursuant to Section 217 of the Staggers Rail Act of 1980, (not printed) decided November 12, 1982.

In two recent cases the Commission found that general allegations under these subsections would not automatically warrant rescission of a surcharge or cancellation. Restructured Rates on Grain and Grain Products, Conrail, 365 I.C.C. 635 (1982) (Grain); and Restructured Rates on Recyclables-Conrail, 365 I.C.C. 596 (1982) (Recyclables). The Commission requested additional specific evidence and determined that resolution of those issues would be based on a balancing of interests to determine the overall public interest. Additionally, the Commission found that subsections (i) and (k) merely require investigation and subsection (j) merely confers standing if certain showings are made.

Both Grain and Recyclables ultimately were resolved under section 10705(e) rather than 10705a. The Commission, however, recognized that the Lee Amendment reflects Congressional intent that the ability of Class III railroads to compete should be protected. Accordingly, it used those subsections as guidelines, and they were given significant weight in the balancing of interests under section 10705(e). Although the Commission unanimously found that the broad cancellations were in the public interest in most respects, on the Class III carrier issue, the Commission was evenly divided on whether the Class III carriers presented enough evidence to warrant relief, and therefore, no relief was granted. Both decisions were appealed. [Appeal of Grain was dismissed for lack of jurisdiction in N.Y. Dock Ry. v U.S., 696 F.2d 32 (2d Cir., 1982); Recyclables, remanded as to connecting carriers' compliance with section 204 of Staggers Act in National Association of Recycling Industries, Inc. v. I.C.C., 704 F.2d 638 (D.C. Cir. 1983).]

The Commission's decision upholding Conrail's cancellation of joint rates and through routes through interterritorial gateways in Changes in Routing Provisions-Conrail-July 1981, 365 I.C.C. 753 (1982), was set aside by the U.S. Court of Appeals for the Seventh Circuit and remanded to the Commission. The Commission has subsequently directed Conrail to present evidence on the impact of the cancellations, including the relative efficiency of the individual "closed" and "open" routes.

Class III railroads may either benefit or be adversely affected by changes initiated under section 10705a. Like other railroads they can surcharge or cancel non-compensatory joint

rates pursuant to section 10705a. All railroads potentially may be adversely affected by a surcharge or cancellation. Class III railroads, however, may be particularly vulnerable since often they lack both the bargaining power to prevent imposition of a surcharge or cancellation and a broad traffic base to withstand the financial effects of possible traffic losses.

In Ex Parte 427, supra, the Commission recommended that Congress consider extending the commodity surcharge authority beyond 1984. [The Commission has extended the joint rate-surcharge provisions to September 30, 1984. Ex Parte 448, Consolidated Rail Corporation-One Year Extension of Surcharge Authority Under 49 U.S.C. 10705a(a), 367 I.C.C. 702 (1983).] It also recommended that the Congressional intent be clarified with respect to the extent of the protection to be afforded Class III carriers and the evidentiary showing required to invoke the protection.

SENATOR ANDREWS: Railroad profits are increasing. Have traffic levels increased? Or have the railroads merely dropped traffic that is competitive with trucks and raised rates on commodities like grain, coal, and soda ash, which cannot be moved efficiently by trucks over long distances?

ANSWER: The improvement in railroad profitability we have been witnessing is not entirely the result of traffic increase. However, we would note that the exemptions on fresh fruits and vegetables and on trailer on flat car/container on flat car evidently have resulted in a shift of traffic from truck to rail. We are convinced that the improved profitability stems from the railroads' utilization of the Staggers Rail Act provisions, primarily those liberalizing pricing. The intent of those provisions was, in fact, to help railroads' attain revenue adequacy. Some of the hindrance in the past to attainment of revenue adequacy came from traffic the carriers carried at rates which failed to cover costs. When priced at or closer to cost, inevitably much of that traffic, better suited to motor carriage, was lost. The result was clearly anticipated in the intent of several of the Staggers Rail Act provisions. Price indexes compiled by the Bureau of Labor Statistics indicate that, at least with respect to grain and coal (the indexes are not broken out for soda ash), rate increases have been no greater than for all railroad frieght (4.3 percent) over the last 12-month period for which data are available (February 1983 - February 1984).

SENATOR ANDREWS: The Special Counsel of the ICC was directed by Congress to provide assistance to Class III railroads and small businesses in combating joint rate surcharges and route cancellations under Section 10705(A). The American Short Line Association is on record as praising OSC's assistance to their members. I understand the majority of the Commission favors abolishing this Office. Why abolish something that is working well? What substitute would you provide?

ANSWER: The activities of the Special Counsel's Office have been confined primarily to assisting the public in adjusting to the changes brought about by the Staggers Rail Act of 1980 and the Bus Act of 1982. These statutes triggered a process of route rationalization for the rail and bus industries. However, the process is now winding down, and we foresee relatively little activity in FY 1985.

Several other offices within the Commission perform functions identical or similar to those of the Special Counsel (e.g., Office of Governmental Affairs, Small Business Assistance Office, Office of Transportation Analysis, and the Office of Compliance and Consumer Assistance). The Commission has concluded that its public assistance activities are overly fragmented and not nearly as effective as they could be. It therefore proposes to consolidate these efforts in fewer offices and achieve better direction and greater efficiency. The Commission remains strongly committed to public assistance but believes that Commission resources can be better employed if they are concentrated in fewer organizational units.

Virtually every governmental organization, however small, develops a constituency, and the Commission's Special Counsel is certainly no exception. However, the Commission believes that the Special Counsel's constituency will be better served through a reorganization of our resources. Finally, it should be emphasized that the Commission does not intend to eliminate the Special Counsel's activities; it intends merely to relocate the personnel presently performing those activities.

Separate Expression of Chairman Taylor

The majority's decision to abolish the Office of Special Counsel is untimely, unwise, and predicated on several mistaken premises. Although contemplated by the recent reform legislation, the ongoing process of "route rationalization" for the rail and bus industries has had some disruptive effects. The Special Counsel has had a significant ameliorating influence by assisting those directly affected to put their cases forward and provide a complete record for Commission decisionmaking. Moreover, because the rationalization of rail and bus routes will continue through fiscal year 1985, there is a continuing need for the Special Counsel to provide assistance.

The majority's plan to scatter a staff of eight persons among four other offices belies any commitment to continue public assistance. The Commission has received numerous compliments about the effectiveness of the Special Counsel's Office from people directly affected by the process. A scatter plan would not improve public assistance and would increase, rather than decrease, the fragmentation of public assistance activities. Numerous groups and individuals have expressed the concern--accurately, in my opinion--that elimination of the Office of Special Counsel will terminate the only focal point of experienced staff that can and will provide specific public assistance in rail abandonment cases and in bus discontinuance and rate cases.

Further, there is no getting around the fact that eight positions are being abolished in the Special Counsel's office, and no funding has been provided in the proposed budget for additional positions in the offices to which the functions are to be transferred. As a result, the highly qualified and experienced OSC staff would lose their jobs. The Commission cannot afford to lose the talents of such people if it is to continue to provide high quality public assistance.

Questions Submitted by Senator Kasten

EMPTY BOXCAR MOVEMENT CHARGE

SENATOR KASTEN: Mr. Chairman, it was roughly eight months ago when you and Commissioner Gradison testified before me at the Senate Commerce Committee hearings on the Staggers Rail Act. I can vividly recall Commissioner Gradison trying to explain to me at those hearings how a new regulation imposing a 35¢ per mile empty movement charge could be deregulation. It did not make sense to me then and it still does not. I tried to explain to Commissioner Gradison at that time my concern over the potential impact of these new rules on short lines and the shippers they serve. For example, in my own State, Green Bay Packaging Company stands to lose close to a million dollars a year from its short-line railroad operation as a result of the new rule. Because of these concerns, I was prepared this past fall to offer legislation in this Committee which would have stayed the Commission's order. As you know, the day before we were to vote on my amendment the Commission agreed to postpone the rules on its own. QUESTION: Can you point to any thing that has happened since last October that should allay my concerns about the affect of these new rules on short line railroads and shippers or otherwise obviate the need for future legislation?

ANSWER: No, I cannot. The bargaining position of the short-line railroads and rail-oriented shippers vis-a-vis the larger or terminating railroads remains the same. The fact that Conrail or similarly situated carriers have not yet made major changes appears to be primarily the result of the watchful eye of the Congress and the courts. There is still the potential for abuse, and I believe that legislation may be required in this area.

SENATOR KASTEN: It is my understanding that a vast majority of the rail industry opposes the Conrail proposal in the boxcar deregulation proceeding at the Commission. Is that correct?

ANSWER: Yes, it is. As I pointed out in my dissent, a multitude of parties opposed the exemption, including virtually every group which participates in or depends upon our national railroad system. My dissent lists the railroads, Federal, State and local agencies, private car owners, shippers, non-rail carriers and Members of Congress who opposed the exemption proposal.

SENATOR KASTEN: Do you know whether the majority of the rail industry and shippers continues to oppose that order?

ANSWER: It is my understanding that there is still major opposition to the boxcar decision, particularly from the Class III carriers. The opponents continue to express the view that the boxcar exemption will radically alter both financial and operational relationships throughout the entire railroad industry, as well as removing protection against market abuse.

SENATOR KASTEN: What alternatives to the car hire rules were considered by the Commission before it approved the Conrail proposal?

ANSWER: In my view, viable alternatives were not considered in this proceeding. The majority simply accepted Conrail's "mongrel" proposal of new car hire/car service conditions, which can only be characterized as re-regulation without appropriate notice.

SENATOR KASTEN: If the industry itself is opposed to the new car hire rules and no other alternatives were considered by the Commission do you think it would be useful to allow the industry a period of time to try to work this problem out itself rather than impose an artificial set of rules on the industry? Specifically, I am referring to the proposal put forth by many of the short lines and even some of the larger railroads and shippers directing the Secretary of Transportation to use her existing statutory authority to bring the parties together for the purpose of identifying and negotiating workable alternatives to these new rules.

ANSWER: As I have stated in my dissents, the Commission, the Association of American Railroads, and all other interested parties should be directing their efforts toward finding an overall solution, which, while more market responsive, does not penalize car owners nor carry the potential for so much harm. I believe the Commission should have performed its statutory duty, denied the exemption, and then directed its energies toward helping the industry resolve its car hire problems in a fair and reasonable manner. I would prefer that the Commission, rather than the Department of Transportation, oversee the negotiation of workable alternatives. As you know, we do have broad authority in this area under 49 U.S.C. 11122.

TRUCKING RECIPROCITY

SENATOR KASTEN: In 1982 when Congress passed Bus Deregulation, I got involved with the issue of trucking reciprocity with Canada. At that time Congress imposed a moratorium on the processing of Canadian applications. Within a few months, however, the Administration lifted the moratorium with the belief the situation for American truckers wanting to gain entry into Canada had improved. It has been almost two years now and it seems like this issue may be rearing its ugly head again. Recently both Roadway and Yellow Freight have applied for operating authority and have been turned down by the Canadians. The rejection of both Roadway and Yellow Freight applications appeared to be very discriminatory toward the American companies. How many Canadian motor carriers received ICC authority during the past two years?

ANSWER: The information follows.

DISPOSITIONS OF MOTOR CARRIER APPLICATIONS
DURING THE PERIOD OF
4/1/82 - 3/31/84

	Canada	U.S.A.
Full grants	437	26,437
Partial grants	11	980
Conditional grants	7	115
Total grants	455	27,442
Actual authorities served[1]/	449	28,021

1/ These are authorities served during the same time period, but they may not necessarily be the same proceedings recorded in the other categories.

The above figures reflect dispositions on individual application proceedings and should not be considered as reflecting the total number of carriers. Each carrier may have received more than 1 grant of authority during this period.

SENATOR KASTEN: How many U.S. motor carriers received authority during the past two years?
ANSWER: The information follows.

PROFILE OF MOTOR CARRIER APPLICATION INITIAL DISPOSITIONS

	Canadian Carriers	U.S.A. Carriers
January-December 1983		
Total Dispositions	216	13,963
Full Grants	207	13,332
Partial Grants	4	266
Conditional Grants	1	68
Denials	1	28
Without Formal Decision	3	269
January-March 1984		
Total Dispositions	48	3,318
Full Grants	45	3,182
Partial Grants	0	31
Conditional Grants	1	21
Denials	0	0
Without Formal Decision	2	84
Pending	56	3,196

SENATOR KASTEN: Is the problem with the Canadian Federal Government or on a province-by-province basis?
ANSWER: American motor carriers have described difficulties with both the various provinces and the Canadian Federal Government. The Canadian Federal Government has delegated the

power to regulate motor carrier transportation to the provinces, and each province regulates transportation within its own borders. There is no Canadian equivalent to the ICC; instead, each province controls entry into interprovincial trucking according to its own individual tests and standards.

Most of those concerned would agree that no province directly discriminates against U.S. motor carriers, and that each province applies the same tests to Canadian and U.S. carriers alike. The basic problem is that several of the most heavily populated provinces apply a more restrictive entry standard for approval of operating authority applications than does this Commission under the Motor Carrier Act of 1980. American motor carriers, thus, have more difficulty obtaining authority to operate in Canada than their Canadian counterparts experience in obtaining authority to operate in this country. The larger concern is that participation of the American motor carrier industry in international transportation could be adversely affected over the long term by a continuing inability to operate in Canada. Historically, the bulk of international freight has been transported in joint-line service with American and Canadian carriers performing the geographical segment of the move within their respective countries.

Problems with the Canadian Federal Government arise from the Foreign Investment Review Act (FIRA). Under FIRA, an American controlled corporation or an American individual desiring to acquire control of an existing Canadian business or to establish a new business in Canada must receive the approval of the Federal Government. Most U.S. motor carriers fall within FIRA exemptions, but motor carriers operating from terminals in Canada, normally the large, less-than-truckload type carriers, must obtain FIRA approval. To secure such approval an American firm usually must submit a list of contractually binding obligations known as "undertakings," designed to ensure that the proposed business venture will result in a "significant benefit to Canada," the standard under the Act.

Almost all FIRA applications have eventually been successful; however, American carriers contend that the existence of FIRA and the nature of the review process have served as a deterrent to expansion of American motor carrier operations into Canada or to the acquisition of Canadian trucking firms by Americans. They consider the application process a costly and inequitable procedure which severely limits exercise of their business judgment and unreasonably restricts management discretion. There have been only a small number of these applications, a fact which some carriers attribute to a chilling effect of the FIRA process.

The Commission conducted a comprehensive investigation during 1982 into these and related areas and concluded that action was not warranted at that time. Neither the effects of FIRA nor the volume of Canadian applications was then causing American motor carrier transportation serious harm, although some individual carriers were undoubtedly affected more than others. The Commission acknowledged that many factors could alter the situation in the future, and it indicated that it would continue to monitor the situation carefully. In this regard, we invited verified statements updating the competitive situation in the transborder market. So far, we have received no such statements. The Commission's findings are reported in detail in Investigation in Canadian Law and Policy, 132 M.C.C. 870 (1982).

SENATOR KASTEN: Does the Administration have the authority to reimpose the moratorium? On a province-by-province basis?

ANSWER: The moratorium provision of the Bus Act [Section 6(g)] gives the President broad authority to remove or modify any moratorium imposed, in whole or in part, if he determines that the removal or modification is in the national interest and notifies Congress of such removal or modification.

The President has exercised this authority and lifted the moratorium with regard to Canada. The statute gives the President the authority to further modify his action by reimposing the moratorium. In view of the broad statutory language and the reference to modification "in whole or in part," there does not appear to be a statutory bar to action on a province-by-province basis.

SENATOR KASTEN: When the moratorium was lifted, I thought an agreement or "an understanding" had been reached with the Canadians that a system of fairness to carriers in both countries would be worked out. What happened to our understanding?

ANSWER: In November 1982, an understanding between the United States and Canada was reached through an exchange of letters regarding transborder motor carrier issues. That understanding commits both sides to: apply motor carrier regulatory policies in a nondiscriminatory manner; provide full, fair, and equitable opportunities for truckers of both countries to compete for international traffic; favor economic efficiency considerations in government investment policies affecting motor carrier operations; and give significant weight to the needs of shippers and consumers as a means of expediting trade through efficient and economic transportation. As you know, based on this understanding, President Reagan lifted the moratorium imposed by section 6 of the Bus Act as it applied to Canada.

The understanding also called for the establishment of a consultative mechanism between the United States and Canada to help resolve problems associated with the implementation of the terms of the understanding, as well as other motor carrier issues. If problems have developed regarding implementation of the understanding by Canadian government authorities, this consultative group is the proper forum for seeking a remedy.

Questions Submitted by Senator Chiles

SPACE RENTAL

SENATOR CHILES: The Commission's fiscal year 1985 budget request of $53,966,000 funds 987 full-time positions. This is a decrease of 163 positions from fiscal year 1984 and 318 positions from fiscal year 1983. In spite of this almost 25% decrease in personnel, page 54 of your budget shows an increase of almost $2 million for space rental charges or an increase of almost 63%.

The Committee understands the GSA standard level user charge system which does adjust space rental every three years to approximate market rates. The Committee, however, is unable to determine from the justification material whether or not ICC has actually been reducing its amount of space to correspond with reductions in personnel. How much square footage of space has ICC vacated since fiscal year 1980? Please provide this information on a yearly basis.

ANSWER: During fiscal years 1981 through 1985, the Commission has vacated space yearly as follows:

FY 1981	18,796 square feet
FY 1982	36,596 square feet
FY 1983	88,137 square feet
FY 1984	85,526 square feet
FY 1985	68,008 square feet (estimated)

SENATOR CHILES: Also, show the number of positions reduced each year since 1980.

ANSWER: The following chart shows actual on-board strength at the end of the fiscal year:

STAFF REDUCTIONS

Fiscal Year 1980 to present

	1980	1981	1982	1983	March 31, 1984
Full-time permanent end-of-year	1,874	1,653	1,370	1,201	1,141
Reduction vs. prior year	na	221	283	169	60
Cumulative reduction	-	221	504	673	773
Total end-of-year employment	1,982	1,726	1,411	1,248	1,181
Reduction vs. prior year	na	256	315	163	67
Cumulative reduction since 9/30/80	-	256	571	734	801

UNIFORM RAIL COSTING SYSTEM

SENATOR CHILES: The Committee understands that the ICC has been working since 1976 to develop a more accurate costing system upon which to base railroad rates. The new system called the Uniform Rail Costing System shifts more of a railroad's system costs to variable costs away from fixed costs. This change will permit railroads to charge higher rates. Some have argued that the Uniform Rail Costing System should not be initiated until the Railroad Accounting Principles Board reviews the matter. What is the ICC's reaction to waiting for the Railroad Accounting Principles Board to make a decision in this matter? If ICC proceeds with implementing the Uniform Rail Costing System and then is required to change it, won't this just cause unnecessary confusion in the marketplace and unnecessary fluctuation in rates? How much are rates likely to increase based on the Uniform Rail Costing System?

ANSWER: We have opposed delaying implementation of the new costing system for a number of reasons. Basically, we view the Uniform Rail Costing System (URCS) as a superior costing tool, one that represents a substantial improvement over its alternative, Rail Form A. It is directly linked to the new railroad Uniform System of Accounts which the Commission implemented in 1978, as required by the Railroad Revitalization and Regulatory Reform Act of 1976. The new accounting system captures more detail and higher quality data than the one it replaced. This allows URCS to develop more refined cost estimates than are possible with Rail Form A. URCS also includes a new variablity study based on current carrier data and annualizes the expenses over various periods, up to five years, to even out the fluctuations in the maintenance cycle. All of these improvements should result in better estimates of cost than are possible with Rail Form A.

If URCS is delayed, it will also mean the continued use of Rail Form A. This is not without problems. In fact, only railroads which maintain the previous system of accounts can accurately apply Rail Form A today. For others to continue using Rail Form A, it is necessary to convert the new Uniform System of Accounts to a Rail Form A input format. The problem with this procedure is that it requires allocation of numerous accounts. These allocations, which are in some cases arbitrary, make the use of Rail Form A difficult and subject to estimation errors. Further, the Rail Form A variability study is becoming outdated and based on less sophisticated regression procedures than are used in URCS.

In view of the promise URCS holds as a superior costing tool to Rail Form A, we believe that implementation of URCS should not be postponed pending its review by the Railroad Accounting Principles Board. Implementation of URCS would not preclude the Board from recommending changes. On the contrary, it appears that field use of URCS would aid in evaluating the system.

As far as the effect on rates is concerned, it is true that compared to Rail Form A, URCS regression studies show some account groupings with higher percents variable, but it should be recognized that other account groupings are lower. Of greater significance is the improved specificity of the percents variable. Rail Form A applies outdated national average variability factors which may have been too high for some carriers and too low for others. URCS individual variability factors, by contrast, reflect the carrier's current operating

characteristics. These will be lower than the Rail Form A factors for some carriers and higher than the Rail Form A factors for others.

To the extent that variable cost influences rates, some realignment of rates up and down among different commodities and railroads may occur. This is the result of the more refined costing. However, no overall increase in rates should be expected as a result of URCS.

If the Railroad Accounting Principles Board requires changes in URCS, we would not expect confusion in the marketplace or unnecessary fluctuation in rates. Rate realignment is an ongoing process that depends primarily on marketplace conditions rather than costing methodologies.

PAYMENTS FOR DIRECTED RAIL SERVICE

SENATOR CHILES: Your budget justification noted that there is approximately $2.3 million remaining in your directed rail service account with one additional outstanding payment to be made from this account of approximately $1 million. What account balance does ICC project for the end of fiscal year 1984? Since no directed rail service costs are anticipated in fiscal year 1985, could the Committee transfer the remaining fund balance to fund other requirements of the Commission?

ANSWER: There is at present $2.3 million remaining of the $8 million appropriated for directed rail service in the 1982 budget supplemental. Against these available funds, there are casualty claims outstanding, carried on the balance sheet at about $680,000. While these may well be settled for more or less than this amount, these claims depend on court decisions, and we cannot predict what these decisions will be. Therefore, we believe these funds should remain available until personal injury claims are settled. There is no guarantee that these claims will be settled before the end of fiscal year 1984. In fact, the litigation could continue well beyond that time.

The $1 million mentioned in the question represents the compensation claim on the part of the Kansas City Terminal Company for services rendered after the cessation of operations. The Commission has as yet made no decision on this claim. Since settlement of some of these personal injury claims could possibly take as much as three years and the amounts involved cannot be predicted, we cannot accurately predict what the unobligated balance in the account will be at the end of fiscal year 1984. Therefore, we believe these funds should remain available for claims in fiscal year 1985, rather than being transferred to the regular ICC budget.

PERSONNEL REDUCTION

SENATOR CHILES: The Administration proposal to reduce ICC personnel levels by 163 positions results in a 32% reduction in motor carrier programs and a 15% reduction in rail programs for an overall agency reduction of 24%. The Committee understands that this level of reduction cannot be made without a RIF of 39 people. Is this still an accurate estimate of the number of people who would necessarily be RIFed and how much funding is required to avoid a RIF. If the Committee would provide additional funding for positions to avoid a RIF, what areas would these positions be used in?

ANSWER: Our analysis indicates that significantly more than 39 people would have to be separated through reductions in force in order to achieve the funding and staff-year levels contained in the fiscal year 1985 budget request. However, due to the number of variables which will affect the final outcome, it is difficult to estimate the precise number of employees who would actually lose their jobs through reductions in force. We have estimated that this number could be as high as 85 people, depending upon the rates of attrition.

Due to changes which continue to occur as a result of deregulation, the staffing levels within some of our offices are no longer in line with existing and projected workload requirements. In order to maintain effective and efficient operations in these offices, it will be necessary to reduce the staff levels within these offices during fiscal year 1984. These reductions can only partially be accomplished through attrition and reassignment. Therefore, regardless of the overall funding and staffing levels authorized for fiscal year 1985, it will be necessary to conduct reductions in force in some offices this fiscal year.

It is estimated that reductions in force can be avoided in the Office of Compliance and Consumer Assistance, the Bureau of Accounts, and the Office of Special Counsel if additional funding of $1,515,000 for 39 positions above the budget request is provided for fiscal year 1985. The additional funding would be used to fund 16 additional staff-years in the Office of Compliance and Consumer Assistance, 17 additional staff-years in the Bureau of Accounts, and 7 staff-years in the Office of Special Counsel (which would be partially offset by a reduction of one staff-year in the Chairman's office.)

Within the Office of Compliance and Consumer Assistance, thirteen staff-years would be for field staff to carry on a higher level of compliance monitoring and three staff-years for complaint handling. At this staffing level, 845 compliance surveys would be done (versus the 585 in the budget), an estimated 750 roadcheck reports would be filed from 3,000 checks (versus the 500 reports from 2,000 checks provided for in the budget), and 6 Rate Bureau surveys would be conducted (versus the 3 in the budget). The workload projections of the Office of Compliance and Consumer Assistance for complaints would dictate the use of three staff-years above the level in the Commission's budget.

Within the Bureau of Accounts, four additional staff-years would be used to perform approximately 90 motor carrier audits, two would be used in accomplishing approximately 180 motor carrier reports analyses, 6 staff-years would be used to accomplish motor carrier cost projections, and 3 staff-years would accomplish approximately 32 motor carrier reports. Under the Commission's 1985 budget request, no motor carrier audits, reports analyses or cost projections could be performed and only 19 motor carrier reports could be accomplished.

Finally, 7 staff-years would be used to retain the Office of Special Counsel which is primarily involved with rail and bus public assistance activities. Under the Commission's fiscal year 1985 budget request, the entire office--four attorneys, one economist and 2 support staff positions--would be eliminated and would have to be RIFed.

COAL GUIDELINES

SENATOR CHILES: Since the early 1970s, gas shortages, the oil embargo of 1973 and energy legislation enacted in 1974 and 1975 resulted in significantly increased demand for coal. As a result of the change in demand for coal starting in 1974, railroads began raising coal rates substantially above previous levels. Since that time, the ICC has attempted to develop guidelines for the railroad shipping charges for coal. Two proposals have been made and subsequently withdrawn. The current ICC proposal proposes a maximum or ceiling rate applicable to captive coal traffic. Under this proposal, shippers could not charge more than the "stand alone cost" of providing new service to a particular point; carriers could not increase their rates by more than 15% in a single year; shippers would not be required to share the cost of management inefficiencies and carriers could adjust their rates upward (unless it violates one of the three above restraints) until its rate of return equals the current cost of capital. These guidelines seem to establish ceilings which may only encourage carriers to raise their rates. Based on these guidelines, a carrier could increase its rates 15% in each year. What protection do these new guidelines provide shippers from almost automatic rate increases each year? When does the Commission expect to make a decision on these guidelines?

ANSWER: With the growing dependence on railroad transported coal as a primary energy source, it is imperative that the railroads earn sufficient funds to maintain and replace assets which are required for the transportation of coal. This is one of the objectives of our proposed maximum rate policy in Ex Parte 347 (Sub-No. 1), Coal Rate Guidelines - Nationwide.

The adoption of revenue adequacy or stand-alone cost (whichever is lowest) as the revenue cap should result in captive shippers paying the lowest rates possible consistent with obtaining efficient service in the long run. To minimize the negative economic consequences of any rate adjustments necessary to bring coal rates to their full economic cost levels, we proposed the 15-percent phase-in. The phase-in was intended to provide a maximum annual ceiling on rate increases, not a floor, as railroads move towards revenue adequacy.

The Commission is considering the public comments received on the various issues related to this proceeding, including the 15-percent phase-in. A decision should be completed by late fall.

BOXCAR DEREGULATION

SENATOR CHILES: The proposal to deregulate boxcar rules for small Class III railroads was postponed until July 1, 1984. Currently, when a railroad receives a boxcar unto its system, it must pay the boxcar owner daily rental fees for use of the car, even though it may sit idle somewhere on the system. Under deregulation, a railroad would no longer be required to pay for rental of an empty boxcar and could return empty boxcars to their owners at a cost of 35 cents a mile charged to the owner.

Class III railroads are interested in a stay of deregulation for one additional year, or until July 1, 1985, and are seeking some better resolution of the matter.

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The real purpose of the deregulation of boxcars is to encourage railroads to enter into bilateral agreements for the use and return of boxcars. How many bilateral agreements have been negotiated with small Class III railroads since the decision last year to postpone the effective date until next July? What can the ICC do to encourage bilateral agreements with Class III railroads in order to ease the impact of possible deregulation next July?

ANSWER: Because this type of agreement is not filed with the Commission, we are unable to ascertain the number which have been negotiated with Class III carriers. The Commission has attempted to encourage the negotiation process by granting an extension to the smaller railroads for them to begin the negotiation process.

However, while we do not have a record of the number of bilateral contracts that have been negotiated with Class III carriers since the boxcar decision, it is my understanding that only a few agreements have been entered into thus far.

SENATOR CHILES: The Commission majority in its second decision indicated it might extend the effective date of the car hire portion of the order for Class III railroads from July 1, 1985, to some other date. Do you think a Commission majority will extend the order to July 1, 1985, as many of the Class III railroads and their car owners want? Would you, as Chairman, support an extension?

ANSWER: The majority has stated that, should the short lines not be able to complete the negotiation of bilateral car hire agreements before July 1, 1984, they may petition for an extension, so long as they make a substantial showing of good faith effort on their part in implementing the exemption. Should such a showing be made, the majority may extend the order. As to the length of the possible extension, I have no idea what the majority would favor. Personally, I would grant an extension to July 1, 1985. Considering the vulnerable position in which the exemption order places the Class III railroads, it seems to me that an extension is the minimal relief the Commission should grant.

SENATOR CHILES: Would you support legislation delaying the car hire portion of the order until July 1, 1985, for Class III railroads and offer other railroads an opportunity to petition for relief in order to allow the industry to come up with a real and workable solution to the car hire compensation problem?

ANSWER: Yes, I would. I have said all along that the Commission, the Association of American Railroads, and all other interested parties should be directing their efforts toward finding an overall solution, which,while more market responsive, does not penalize car owners nor carry the potential for so much harm.

RAIL ABANDONMENTS

SENATOR CHILES: Under the Staggers Act, P.L. 96-488, a railroad is required to file a 3-year advance notification of what lines it intends to abandon. It is then required to file a further notice of intent to abandon a line at least 15 days prior to its formal application. The Committee is aware that the abandonment action that has already occurred is made up of the relatively easy cases. In view of the fact that ICC has three-year advance notification of rail abandonment intentions, what are

the significant abandonment issues that we will face in the next year? For the record, please provide information on a state by state basis with regard to both the railroad and the number of miles of track that may be abandoned.

ANSWER: The most significant issues facing the Commission on future abandonments will be the impact on shippers and on rural and community development. This must be weighed against the further rationalization of the rail system through elimination of higher quality but marginally profitable lines.

The following list contains the miles of track (in anticipation of abandonment within 3 years) on the system diagram maps by State for individual railroads.

Chicago and North Western Transportation Company

IL - 47.0
IA - 193.8
MO - 59.2
MN - 14.7
NE - 5.6
ND - 14.2
SD - 37.5
WI - 83.27
Total - 455.25

Missouri Pacific Railroad Company

AR - 62.05
IL - 23.0
KS - 120.80
LA - 53.40
MO - 64.6
MS - 2.25
NE - 120.7
TN - 3.3
TX - 17.7
Total 467.8

Burlington Northern Railroad Company

AL - 175.34
AR - 29.46
CA - 33.45
Canada - 7.00
CO - 26.04
IA - 15.34
ID - 68.34
IL - 108.01
KY - 2.00
KS - 92.06
MN - 409.54
MO - 138.08
MT - 463.69
NE - 97.89
ND - 300.87
OK - 25.23
OR - 15.45
SD - 90.11
WA - 394.67
Total 2,492.51

Chicago, Milwaukee, St. Paul and Pacific Railroad Company
IA - 220.2
IL - 30.87
MN - 27.2
MO - 82.6
Total 660.87

Denver and Rio Western Railroad Company
UT - 132.0
Total 132.0

Norfolk and Western Railway Comapny
IA - 74.10
IL - 6.0
MO - 74.10
NE - 74.10
OH - 25.25
Total - 253.55

Southern Pacific Transportation Company
CA - 97.64
LA - 56.18
OR - 7.48
TX - 39.01
Total 200.31

Northwestern Pacific Railroad Company
CA - 13.99
Total 13.99

Chessie Systems
IL - 84.31
KY - 94.09
MD - 24.31
MI - 66.07
OH - 91.07
PA - 8.70
VA - .74
WV - 36.77
Total 406.06

Southern Railway System
AL - 19.6
GA - 3.0
LA - .95
NC - 51.5
TN - 44.0
VA - 20.0
Total 139.05

Grand Trunk Western Railroad Company
MI - 195.61
OH - 18.29
Total 213.90

Boston & Maine Corporation
MA - 78.36
NH - 92.20
NY - 5.04
VT - 34.64
Total 210.24

Union Pacific Railroad Company
CO - 2.97
Total 2.97

Los Angeles and Salt Lake Railraod
UT - 31.76
Total 31.76

Oregon Short Line Railroad
ID -70.39
MT - 7.55
Total 77.94

Oregon and Washington Navigation Railroad
WA - 30.57
Total 30.57

St. Louis Southwestern Railway Company
MO - 10.23
Total 10.23

Illinois Central Gulf Railroad Company
IA - 54.48
IL - 35.37
KY - 1.25
LA - 30.22
MN - 54.48
MS - 31.29
TN - 6.57
Total 213.66

Atchison, Topeka and Santa Fe Railway Company
AZ - 28.22
CA - 5.35
MO - 5.6
OK - 22.67
TX - 12.0
Total 73.84

Seaboard System Railroad, Inc.
AL - 39.77
FL - 129.94
GA - 28.12
KY - 17.50
NC - 4.14
SC - 53.96
TN - 58.71
Total 332.14

Soo Line Railroad Company
MI - 176.78
ND - 4.7
Total 181.48

Sacramento Northern Railway
CA - 45.48
Total 45.48

Maine Central Railway Company
ME - 52.12
Total 52.12

Waterloo Railroad Company
IA - 6.57
Total 6.57

Valley and Siletz Railroad Company
OR - 3.125
Total 3.125

Brooklyn Eastern District Terminal
NY - 0.05
Total 0.05

Portland Traction Company
OR - 4.64
Total 4.64

Toledo Terminal Railroad Company
OH - 3.95
Total 3.95

Prairie Central Railway Company
IL - 88.0
Total 88.0

Chelatchie Prairie Railroad
WA - approx 30
Total 30

RAIL CONTRACTS

SENATOR CHILES: The Staggers Act permitted railroads and shippers to enter into service contracts. Based on the material included in the March 13, 1984, report on this subject, contracting has been useful for the railroads in terms of weathering recessions and in competing for business with other transportation modes and it has been useful for shippers in gaining rate concessions. In view of the success that has been enjoyed by railroad contracting, it is somewhat interesting that the only shipping group to report that they have not received benefits from reduced rates are coal-burning utilities. Why are coal-burning utilities the only group not receiving rate benefits from railroad contracting?

ANSWER: In their submission for use in our report, the Edison Electric Institute emphasized that their response should not be considered representative of the entire utility industry,

since it only represented the responses of 31 of their 142 coal-burning electric utility members. (See page 25 of the report.)

There are a number of railroad/utility contracts on file, but there is no doubt that many utilities can be considered captive shippers as they lack transportation alternatives and, therefore, the necessary bargaining position to negotiate reduced rate contracts. In effect, the railroad's existing coal traffic to many utilities is secure and rate concessions would not generate additional traffic.

SUNSET FOR TRUCK REGULATION

SENATOR CHILES: Early in Secretary Dole's term, there was considerable discussion regarding further truck deregulations. While the Administration no longer seems to be pushing truck deregulation, Senator Packwood has introduced a bill to end all collective rate making and all economic regulations of the trucking industry sunsetting ICC's motor carrier functions by January 1, 1987. The safety and insurance functions currently covered by ICC would be transferred to the Department of Transportation. Does the ICC support the sunset of its motor carrier functions? Do you support Senator Packwood's bill, S. 2038?

ANSWER: The ICC supports the sunset of its functions relating to motor carriers of property (freight carriers) and has so indicated at oversight and budget hearings. The Commission has not yet commented on the specific provisions of S. 2038, but the objectives of the bill appear to be consistent with the Commission's views. Thus, while some technical changes in the language of the legislation may be warranted, I believe the Commission would support Senator Packwood's bill.

EXPORT COAL

SENATOR CHILES: When Chairman Reese Taylor testified before us last year, he stated that the impact of the Bus Regulatory Reform Act of 1982 was unclear because it had only been recently enacted. Last November Chairman Taylor mentioned that Greyhound and Trailways dropped numerous points from their route system. The new act requires ICC to approve a petition for discontinuance unless it finds that such discontinuance is not inconsistent with the public interest. Since the enactment of the Bus Act, how many petitions for discontinuance has ICC approved? Has ICC disapproved any petitions?

ANSWER: The Bus Regulatory Reform Act of 1982 (Bus Act) requires the Commission to grant a petition for discontinuance of intrastate bus transportation unless it finds that such discontinuance is not consistent with the public interest or that continuing the transportation will not constitute an unreasonable burden on interstate commerce. Since November 19, 1982, the effective date of the Bus Act, the ICC has reviewed 28 petitions for permission to discontinue intrastate service. Three of those petitions are pending final action. Of the remaining 25, one has been dismissed for lack of jurisdiction, one has been granted in part, one has been denied initially but subsequently granted on appeal filed by the carrier, and 22 have been granted in full.

SENATOR CHILES: As you know, last October S. 1916 and H.R. 4067 were introduced to give state and local governments the time, information and authority to work effectively with carriers to ease problems of service discontinuance. Greyhound apparently feels that the legislation is a "clear effort to gut major provisions of the Bus Act." What is the ICC position on these proposed bills?

ANSWER: Although the industry is already responding positively to the operational freedoms afforded by the Bus Act, experience with other industries demonstrates that it may well be another year or two before the full impact of bus regulatory reform is realized. Thus, in order to allow the bus industry and the public to adjust fully to the new competitive environment fostered by the Bus Act, the Commission believes that more time is needed.

Major provisions of S. 1916 and H.R. 4067 cut back on the freedoms provided under the Bus Act of 1980. Accordingly, we could not support those bills in their entirety.

Separate Expression of Chairman Taylor

Since certain provisions of S. 1916 and H.R. 4067 cut back on the freedoms provided under the Bus Act, I agree that the Commission could not support these bills in their entirety. However, as I have emphasized at oversight hearings, the establishment of replacement service on routes where service has been discontinued is the key to the success of the Bus Act. Notice of planned discontinuances could help in finding replacement service, and, for that reason, the prior notice provision of S. 1916 and H.R. 4067 appears to have some merit.

SENATOR CHILES: How is the Bus Act working?

ANSWER: As noted in our testimony at oversight hearings last November, our experience with other industries indicates that one or two more years may be necessary before the effects of the Bus Act are fully realized. However, on the whole, the Commission believes that the Act is working well. The eased entry standards have allowed new carriers to enter the industry and establishedcarriers to expand into new markets. The rate freedoms contained in the Act have resulted in a number of innovative discount programs and have allowed carriers to increase fares that were noncompensatory.

The Act also gave carriers greater freedom to exit from unprofitable routes, and this has led to a number of service discontinuances as carriers have moved to rationalize their route structures. However, it appears likely that replacement service, especially by smaller, lower cost carriers, will develop to serve many of the points where dislocations have occurred or have been proposed. It has been reported that larger carriers are turning over some marginal routes to smaller carriers, and that Trailways has transferred 29 routes to smaller carriers. Smaller operators may be able to make money where the larger carriers could not, because of lower costs and greater familiarity with the needs of the area. Additional time will permit greater analysis of the adequacy and extent of such service.

The Commission believes that the industry is already responding positively to the operational freedoms afforded by the Act and that the end result will be improved price and service options for bus passengers. As the existing carriers rationalize their route

systems, new carriers enter the market, and noncompensatory rates are eliminated, a more efficient and financially healthy industry should develop, with accompanying benefits for bus passengers.

SENATOR CHILES: The ICC decision of May 26, 1983, to deregulate export coal has resulted in a great deal of controversy. The decision was based on a finding that regulation was not needed to protect shippers from the abuse of market power as is provided by Section 213 of the Staggers Act. This finding is based on the assertion that the world market for coal is extremely competitive and any effort to push the price too high would be counter-productive to one's own interests. What protection exists however from the railroads demanding a higher profit margin at the expense of the coal mines? As this matter is now in the courts, when does the ICC expect a final decision?

ANSWER: As I stated in my dissent, I do believe there is competition in the international coal export market; however, I believe it is of only limited relevance here. It may set a "price cap," but as you observed in your question, this will not ensure a reasonable division of profits between the railroads and the coal interests. Railroads are in a position to exact substantial premiums without fear of diverting traffic to other carriers.

The majority believed that, because there are a relatively small number of large transshippers of export coal, they will be able to negotiate reasonable rates because they can fulfill their export contracts from mines on more than one railroad. I believe this is unrealistic, and that the railroads and coal suppliers will not negotiate as "partners." Rather, each participant is solely concerned with maximizing its own profit. Because most mines are served by only one railroad, and because many mines may be on that one railroad's line of track, it is perfectly possible for such a railroad to maximize its profit at the expense of one of the shippers it serves.

With regard to a court decision, oral argument was held on March 14, 1984. Decisions usually take a minimum of three to four months, and frequently longer. Accordingly, I would not anticipate a decision until summer or early fall.

USER FEES

SENATOR CHILES: Last year the Senate directed the ICC to issue a new user fee schedule to update fees which had not been updated since 1972. Has this been done? If so, please include the new fee schedule along with the old schedule so the fee adjustments can be seen. If not, why not and when will the adjustments be made?

ANSWER: Our new proposals relating to User Fees are contained in our Notice of Proposed Rulemaking issued in Ex Parte 246 (Sub-No. 2), Regulations Governing Fees For Services Performed in Connection With Licensing and Related Services, which was published in the Federal Register on February 17, 1984, at 49 FR 6118. The proposed fee schedule includes 76 items. Forty of these items involve new fees. All current items have been updated to reflect current Commission costs for performing the service. The proposed fees for application procedures range from $150 for motor carrier applications to $100,000 for major rail merger applications.

A copy of Appendix A of the referenced Notice of Proposed Rulemaking which shows both current and proposed user fees follows:

APPENDIX A[1]/

Title 49 of the Code of Federal Regulations would be amended as follows:

PART 1002-FEES

(1) In §1002.1, the heading, introductory text and paragraphs (a)-(c), (e), and (f) would be revised and paragraph (d) added to read as follows:

§1002.1 Fees for records search, copying, certification, and related services.

Certifications and copies of such tariffs, reports and other public records and documents on file with the Interstate Commerce Commission, as may be practicable to furnish, as well as searches and copying of records not considered public under the Freedom of Information Act (5 U.S.C. 552) will be furnished on the following basis:

(a) Certificate of the Secretary, $3.00

(b) Services involved in examination of tariffs or schedules for preparation of certified copies of tariffs or schedules or extracts therefrom at the rate of $15.00 per hour.

(c) Services involved in checking records to be certified to determine authenticity, the clerical work, etc., incidental thereto, at the rate of $11.00 per hour.

(d) Electrostatic copies of tariffs, reports, and other public documents, at the rate of $0.60 per letter size or legal size exposure. A minimum charge of $3.00 will be made for this service.

(e) The fee for search and copying services requiring ADP processing are as follows:

(1) A fee of $28.00 per hour for professional staff time will be charged when it is required to fulfill a request for ADP data.

(2) The fee for port minute time for the search will be set at the current rate set forth in the Commission's contract with our time sharing computer contractor. Information on those charges can be obtained from the Chief, Section of Systems Development, Interstate Commerce Commission, Washington, DC 20423.

1/ A number of the proposed fee levels for substantive activity are based on cost study data that are not considered representative. These items are starred and should not be relied upon. Further study is being undertaken and will be completed before May 1. We invite comment on other items that appear incorrect.

(3) Printing shall be charged at the rate of $.05 per page of computer generated output with a minimum charge of $.25. A charge of $25 per reel of magnetic tape will be made if the tape is to be permanently retained by the requestor.

* * * * *

(f) Search and copying services for records not considered public under the Freedom of Information Act as follows:

(1) The search fee hourly rate will be based on the hourly rate of the individual or individuals who perform the search. Those hourly rates are set forth in the following table.

Grade	Rate	Grade	Rate	Grade	Rate
GS-1	4.73	GS-7	9.02	GS-13	19.03
GS-2	5.15	GS-8	9.99	GS-14	22.49
GS-3	5.81	GS-9	11.04	GS-15 and above	26.45
GS-4	6.51	GS-10	12.16		
GS-5	7.29	GS-11	13.35		
GS-6	8.12	GS-12	16.01		

(2) The fee for electrostatic copies shall be $.60 per letter size or legal size exposure with a minimum charge of $3.00.

(3) The fee charged for ADP data is set forth in (e) above.

(4) No fee shall be charged for time spent reviewing documents to determine disclosability under the Freedom of Information Act. A fee may be charged for searches which are not productive and for searches for records or those parts of records which are determined to be exempt from disclosure.

* * * * *

(2) Section 1002.2 would be revised to read as follows:

§1002.2 Filing fees.

(a) Manner of payment.

(1) All filing fees will be payable at the time and place the application, petition, notice, tariff, contract, or other documents is tendered for filing.

(2) Except as specified below, fees will be payable to the Interstate Commerce Commission by check drawn upon funds deposited in a bank in the United States or money order payable in U.S. currency.

(3) For those categories of cases for which there is an initial payment and subsequent quarterly direct billing, only the initial fee must be paid when the application is filed.

(b) Deficiencies.

(1) Any filing that is not accompanied by the appropriate filing fee is deficient.

(2) The Secretary will inform any person who submits a deficient filing that:

(i) Such filing will be rejected, unless the appropriate fee is submitted within a specified time;

(ii) The Commission will not process any filing that is deficient under this paragraph; and

(iii) The date of filing will be deemed the date on which the Commission receives the appropriate fee.

(3) This provision does not preclude a determination that a filing is deficient for any other reason.

(c) Fees not refundable. Fees will be assessed for every filing in the type of proceeding listed in the schedule of fees contained in paragraph (f) of this section, subject to the exceptions contained in paragraphs (d) and (e). After the application, petition, notice, tariff, contract, or other document has been accepted for filing by the Commission, the filing fee will not be refunded, regardless of whether the application, petition, notice, tariff, contract, or other document is granted or approved, denied, dismissed, or withdrawn. If an application, petition, notice, tariff, contract, or other document is rejected by the Commission as incomplete or for some other reason, prior to docketing, the fee will be returned. If an application is rejected as incomplete after docketing, the applicant will be given the opportunity to file a replacement application with reference to the fee number assigned to the prior application and no additional fee will be required, but the fee will not be refunded.

(d) Related or consolidated proceedings. (1) Separate fees need not be paid on related applications filed by the same applicant which would be the subject of one proceeding, such as a single petition for modification of more than one certificate or permit held by the same person; a related plan of track relocation, joint use, purchase of trackage rights, and issuance of securities, however, such applications must be filed by the same applicant that filed the primary application; a motor common carrier acquisition application combined with a related section application for a certificate of public convenience and necessity; or the like. In such instances, the only fee to be assessed will be that applicable to the embraced proceeding which carries the highest filing fee as listed in paragraph (f) of this section; except that, directly related applications involving a transfer under 49 U.S.C. 10926 or an application on Form OP-1 for gateway elimination and/or a conversion of a certificate of registration and a certificate of public convenience and

necessity the sole fee shall be the basic fee for the transfer application. However, the directly related application must be filed at the same time the primary application is filed.

(2) Each filing of an original or updated notice of intent to engage in compensated intercorporate hauling operations shall be considered a separate filing, and shall be subject to payment as described in paragraph (f)(12) of this section.

(3) Separate fees will be assessed for the filing of temporary authority applications as provided in paragraphs (f)(8) (9) and (10) of this section, regardless of whether such applications are related to an application for corresponding permanent authority.

(4) The Commission may reject concurrently filed applications, petitions, notices, contracts, or other documents asserted to be related and refund the filing fee if, in its judgment, they embrace two or more severable matters which should be the subject of separate proceedings.

(e) Waiver of filing fees. It is the general policy of the Commission not to waive filing fees except as described below:

(1) Filing fees are waived for an application or other proceeding which is filed by a federal government agency. Fifty percent of the applicable filing fees will be waived for a state or local government entity.

(2) All filing fees except for applications for motor carrier, or water carrier temporary or permanent operating authority and broker or freight forwarder operating authority will be waived for an individual applying on his or her own behalf.

(3) In extraordinary situations the Commission will accept requests for waivers in accordance with the following procedure:

(i) When to request. At the time that a filing is submitted to the Commission the applicant may request a waiver or reduction of the fee prescribed in this part. Such request should be addressed to the Secretary.

(ii) Basis. The applicant must show the waiver or reduction of the fee is in the best interest of the public, or that payment of the fee would impose an undue hardship upon the requestor.

(iii) Commission Action. The Secretary will notify the applicant of the decision to grant or deny the request for waiver or reduction.

(f) Schedule of Filing Fees

TYPE OF PROCEEDINGS	PROPOSED FEES	EXISTING FEES
PART 1: NON-RAIL-APPLICATIONS FOR OPERATING AUTHORITY OR EXEMPTIONS	$	$
(1) An application for motor carrier or water carrier operating authority, water carrier exemption authority, a certificate of registration or an application for broker or freight forwarder authority.....	*150	350
Protest to permanent authority application.....	*190	NONE
(2) A fitness only application for motor common carrier authority under 49 U.S.C. 10922(b)(4)(E) or motor contract authority under 49 U.S.C. 10923(b)(5)(A) to transport food and related products	30	150
(3) A petition to interpret or clarify an operating authority under 49 CFR 1160.64.....	90	200
(4) A request seeking the modification of operating authority only to the extent of making a ministerial correction, a change in the name of the shipper or owner of a plantsite or the change of a highway name or number.....	27	NONE
(5) A petition to renew authority to transport explosives under 49 U.S.C. 10922 or 10923.....	27	5
(6) An application to remove restriction or broaden unduly narrow authority under 49 CFR 1165.....	90	350
(7) An application for authority to deviate from authorized regular route authority 49 U.S.C. 10923(a).....	90	15
(8) An application for motor carrier or water carrier temporary authority under 49 U.S.C. 10928(b).....	*70	60
Protest to a temporary authority application.....	*26	NONE
(9) An application for motor carrier emergency temporary authority 49 U.S.C. 10928(c)(1).....	50	NONE
(10) An extension of the time period during which an outstanding application for emergency temporary authority as defined in 49 U.S.C. 10928(c)(1) may continue.....	12	10
(11) Request for name change of carrier, broker or freight forwarder.....	5	NONE

	PROPOSED FEES $	EXISTING FEES $
(12) A notice required by 49 U.S.C. 10524(b) to engage in compensated incorporate hauling including an updated notice required by 49 CFR 1167.4.....	70	150
(13) A notice of intent to operate under the agricultural co-operative exemption in 49 U.S.C. 10526(a)(5)....	60	NONE
(14) [Reserved]		
(15) [Reserved]		
(16) [Reserved]		
PART II: NON-RAIL-APPLICATIONS TO DISCONTINUE TRANSPORTATION		
(17) A notice or petition to discontinue ferry service 49 U.S.C. 10908.....	6,170	650
(18) A petition to discontinue motor carrier of passenger transportation in one state.....	500	350
(19) [Reserved]		
PART III NON-RAIL-APPLICATIONS TO ENTER UPON A PARTICULAR FINANCIAL TRANSACTION OR JOINT ARRANGEMENT		
(20) An application for the pooling or division of traffic.....	730	100
(21) An application of two or more carriers to consolidate or merge their properties or franchises or any part thereof into one corporation for the ownership management and operation of the properties previously in separate management. 49 U.S.C. 11343(a)(1).....	*830	700
(22) An application of a non-carrier to acquire control of two or more carriers through ownership of stock or otherwise.....	*830	700
(23) An application of a carrier or carriers to purchase, lease or contract to operate the properties of another, or to acquire control of another by purchase of stock or otherwise. 49 U.S.C. 11343(a)(2) and (3).....	*620	700
(24) An application for approval of, or to amend, a non-rail rate association agreement. 49 U.S.C. 10706.....	7,110	300
(25) An application for temporary authority to operate a motor or water carrier. 49 U.S.C. 11349.....	*130	60

	PROPOSED FEES $	EXISTING FEES $
(26) An application to transfer, or lease of a certificate or permit, including a certificate of registration, and a broker license or change of control of companies holding broker's license. 49 U.S.C. 10926.....	*150	100
(27) A petition to transfer a water carrier exemption authorized under 49 U.S.C. 10542 and 10544 to a successor.....	120	100
(28) An application for approval of a motor vehicle rental contract. 49 CFR 1057.41(d).....	120	30
(29) A petition for exemption under 49 U.S.C. 11343(e).....	390	NONE
(30) [Reserved]		
(31) [Reserved]		
(32) [Reserved]		
PART IV: RAIL-APPLICATIONS FOR OPERATING AUTHORITY		
(33) An application for a certificate authorizing the construction, extension, acquisition, or operation of lines of railroad. 49 U.S.C. 10901..	6,170	700
(34) An application filed under 49 U.S.C. 10910 Feeder Line Development Program.	1,810	300
(35) [Reserved]		
(36) [Reserved]		
(37) [Reserved]		
PART V: RAIL-APPLICATIONS TO DISCONTINUE TRANSPORTATION SERVICES		
(38) An application for authority to abandon all or a portion of a line of railroad or operation thereof filed by a railroad except Consolidated Rail Corporation.....	1,620	700
(39) An application for authority to abandon all or a portion of a line of railroad or operation thereof filed by Consolidated Rail Corporation pursuant to the North East Rail Service Act....	190	NONE
(40) A notice or petition to discontinue passenger train service.....	6,170	650
(41) [Reserved]		
(42) [Reserved]		
(43) [Reserved]		

PART VI: RAIL-APPLICATIONS TO ENTER UPON A PARTICULAR FINANCIAL TRANSACTION OR JOINT ARRANGEMENT	PROPOSED FEES $	EXISTING FEES $
(44) An application for use of terminal facilities or other application. 49 U.S.C. 11103	*5,180	150
(45) An application for the pooling or division of traffic. 49 U.S.C. 11342	3,570	100
(46) An application for two or more carriers to consolidate or merge their properties or franchises or a part thereof, into one corporation for ownership, management, and operation of the properties previously in separate ownership		
(i) Major transaction	100,000	700
(ii) Significant transaction.	20,000	700
(iii) Minor Transaction	1,750	700
(iv) Exempt transaction	480	NONE
(v) Responsive application	1,750	NONE
(47) An application of a noncarrier to acquire control of two or more carriers through ownership of stock or otherwise. 49 U.S.C. 11343(a)(1)		
(i) Major transaction	100,000	700
(ii) Significant transaction	20,000	700
(iii) Minor transaction	1,750	700
(iv) Exempt transaction	480	NONE
(v) Responsive application	1,750	NONE
(48) An application to acquire trackage rights over, joint ownership in, or joint use of, any railroad lines owned and operated by any other carrier and terminals incidental thereto. 49 U.S.C. 11343		
(i) Major transaction	100,000	700
(ii) Significant transaction	20,000	700
(iii) Minor transaction	1,750	700
(iv) Exempt transaction	480	NONE
(v) Responsive application	1,750	NONE
(49) An application of a carrier or carriers to purchase, lease, or contract to operate the properties of another, or to acquire control of another by purchase of stock or otherwise		
(i) Major transaction	100,000	700
(ii) Significant transaction	20,000	700
(iii) Minor transaction	1,750	700
(iv) Exempt transaction	480	NONE
(v) Responsive application	1,750	NONE
(50) An application for a determination of fact of competition. 49 U.S.C. 11321(a)(2) or (b)	20,000	100
(51) An application for approval of, or to amend a rail rate association agreement. 49 U.S.C. 10706	18,890	300

	PROPOSED FEES $	EXISTING FEES $
(52) An application for authority to hold a position as officer or director. 49 U.S.C. 11322.....	50	10
(53) An application to issue securities; an application to assume obligation or liability in respect to securities of another; an application or petition for modification of an outstanding authorization, or an application for exemption for competitive bidding requirements of Ex Parte No. 158, 49 CFR 1175.10. 49 U.S.C. 11301.....	*830	200
(54) A petition for exemption (other than a rulemaking) filed by rail carriers. 49 U.S.C. 10505.....	*530	NONE
(55) An application for forced sale of bankrupt railroad lines.....	300	300
(56) [Reserved]		
(57) [Reserved]		
(58) [Reserved]		
(59) [Reserved]		
PART VII: OTHER PROCEEDINGS		
(60) A complaint alleging unlawful rates or practices of carriers.....	*340	NONE
(61) A complaint seeking or a petition requesting institution of an investigation seeking the prescription of division of joint rates, fares or charges 49 U.S.C. 10705(f)(1)(A).....	*400	700
(62) A petition for waiver from Commission regulations.....	*610	NONE
(63) A petition for declaratory order.....	*930	
(64) A request for motor, water, or freight forwarder nationwide or regional general rate increases, including major rate restructures.....	*3,650	
Protest to a general rate increase...	*180	NONE
(65) A petition to define or redefine a commercial zone, or to remove the exemption applicable to commercial zone movements.....	180	150
(66) A petition for exemption from filing tariffs by water and bus carriers.....	110	NONE
(67) An application for shipper antitrust immunity. 49 U.S.C. 10706(a)(5)(A)...	1,970	NONE

	PROPOSED FEES $	EXISTING FEES $
(68) Petition for review of state regulations of intrastate rates, rules or practices filed by interstate rail carriers. 49 U.S.C. 11501.....	500	NONE
(69) Petition for review of state regulations of intrastate rates, rules or practices filed by interstate bus carriers. 49 U.S.C. 11501.....	500	NONE
(70) Commission verification of the quarterly index applicable to rail rate increases.....	1,330	NONE
(71) Request for suspension or investigation of tariff matter.....	29	NONE
(72) An application for authority to establish released value rates or ratings under 49 U.S.C. 10730 except that no fee will be assessed for applications seeking such authority in connection with reduced rates established to relieve distress caused by drought or other calamitous visitation.....	330	200
(73) An application for special permission for short notice or the waiver of other tariff publishing requirements.	30	20
(74) The filing of tariff and rate schedules including supplements.....	$8 per series transmitted	NONE
(75) Special docket application from rail and water carriers.....	40 per letter of intent or disposition	NONE
(76) Informal complaint about rate application.....	160	NONE
(77) An application for original qualification as an insurer, surety or self-insurer.....	65[2/]	65
(78) A service fee for insurer, surety or self-insurer accepted certificate of insurance or surety bond. The fee is based on a formula of $10 per accepted certificate of insurance or surety bond as indication of ICC insurance activity. (There is a $50 annual minimum).....	10 per accepted certificate	10
(79) A petition for waiver of any provision of the lease and interchange regulations. 49 CFR Part 1057.....	230	35
(80) A petition for reinstatement of revoked operating authority.....	30	60

2/ Current fee retained due to changes made in Ex Parte MC-5 (Sub-No. 2) and Ex Parte No. 159 (Sub-No. 1)(eff. 1/13/84). Will be reviewed when fee schedule is updated.

	PROPOSED FEES	EXISTING FEES
	$	$
(81) Acceptance of filings of designated agents for service of process.....	8 per filing	NONE
(82) Request for informal interpretations from the Office of Compliance and Consumer Assistance.....	200	NONE
(83) Petition for reinstatment of a dismissed operating rights application...	150	NONE
(84) Filing of documents for recordation. 49 U.S.C. 11303 and 49 CFR 1177.3(c)..	10 per document	50 for primary document. 10 for secondary document.
(85) Valuations of railroad lines in conjunction with purchase offers in abandonment proceedings.....	770	NONE
(86) Informal opinions about rate applications.....	60	NONE
(87) to (95) [Reserved]		
PART VIII: SERVICES		
(96) Messenger delivery of decisions to a railroad carrier's Washington, DC agent.....	7 per delivery	NONE
(97) Request for service list for proceedings.....	5 per list	NONE
(98) Requests to be added to the service list of a proceeding by a non-party...	2 per request	NONE
(99) Requests for copies of the one-percent carload waybill sample.....	80	NONE
(100) Verification of surcharge level pursuant to Ex Parte No. 389, Procedures for Requesting Rail Variable Cost & Revenue Determination for Joint Rates Subject to Surcharge or Cancellation.....	10 per movement	NONE
(101) Diazo copies of public docket materials.....	.05 per copy with a .25 minimum	NONE
(102) Application fee for Interstate Commerce Commission Practitioners' Exam.....	50	50

QUESTION SUBMITTED BY SENATOR BAUCUS

SENATOR BAUCUS: Over three years ago, in March 1981 the McCarty Farms Petition was filed with the Interstate Commerce Commission (Docket No. 37809). The ICC is the sole protector of shippers' interest in rate cases such as the McCarty Farms case. I am very concerned over this long delay without seeing any progress being made or action taken by the ICC. Can you please explain why this particular case has taken as long as it has and give us some idea of when you expect the matter to be ruled on by the ICC?

ANSWER: The proceeding in No. 37809, McCarty Farms, Inc. v. Burlington Northern Railroad Company, and its related cases have been held in abeyance while the Commission is developing maximum rate standards. In Ex Parte 347 (Sub-No. 1), Coal Rate Guidelines - Nationwide, the Commission proposed new maximum rate guidelines to decide coal cases. These guidelines, however, have not been finalized. Other standards for deciding these cases have been rejected by either the courts or the Commission. Once Ex Parte 347 (Sub-No. 1) becomes final, the Commission will still have to decide whether these coal rate standards or some other approach would be appropriate for non-coal proceedings such as McCarty Farms. We expect a decision to be issued in Ex Parte 347 (Sub-No. 1) in late fall of 1984. We would then have to consider appropriate standards for non-coal cases and analyze the specific evidence in these proceedings in the light of the resulting standards. Thus, we would estimate that a final decision in No. 37809 and its related cases will not be issued until next year.

QUESTIONS SUBMITTED BY SENATOR BURDICK

ABANDONMENTS

SENATOR BURDICK: I did not support the Staggers Act which deregulated the railroad industry. However, those of us who were concerned with this point were sucessful in including the requirements that the Interstate Commerce Commission provide consideration to the impact abandonment would have on rural and community development. How does the Interstate Commerce Commission interpret this federal requirement in 49 U.S.C. 903?

ANSWER: The statutory standard governing an abandonment or discontinuance is whether the present or future public convenience and necessity require or permit the proposed action. In implementing this standard, the Commission weighs the potential harm to affected shippers and communities from the abandonment or discontinuance against the present and future burden continued operations impose on the railroad and on interstate commerce. This balancing requires the Commission to take into account a number of relevant factors, including the profitability of the line and the expense of continued operation, the likelihood of the line's future profitability, the availability of alternate transportation, and the congressionally mandated examination of the harm to rural or community development. 49 U.S.C. 10903(a). Thus, the possibility of a loss of service is not the end of our inquiry. We must balance other competing interests under the

standards applicable to abandonment proceedings. Where the burden on interstate commerce is slight, with the near-term prospect of profitability, and the consequence of abandonment is onerous (i.e., the termination of substantial development projects that are reasonably expected to occur), we have concluded that abandonment is not justified. See AB-55 (Sub-No. 72), Seaboard System Railroad, Inc. - Abandonment - In Bacon County, GA, not printed, served December 22, 1983.

SENATOR BURDICK: Secondly, since the Staggers Act has been passed, how many cases/miles of track have been approved for abandonment?

ANSWER: Since passage of the Staggers Act, the Commission has approved 366 abandonments totalling 7,661.42 miles of track.

SENATOR BURDICK: Thirdly, how many cases have been appealed by States based on the argument that abandonment would cause adverse impact to rural communities?

ANSWER: There have been eight cases appealed by States based, at least in part, on the argument that abandonment would cause adverse impact to rural communities.

1. In Docket No. AB-43 (Sub-No. 84), Illinois Central Gulf Railroad Company - Abandonment - Between Clinton and Lincoln, IL and Between Lincoln and New Holland, IL (not printed), served July 2, 1982, the Commission declined to hear an appeal filed jointly by the People of the State of Illinois, the Illinois Commerce Commission, and two other protestants.

2. In Docket No. AB-3 (Sub-No. 27), Missouri Pacific Railroad Company - Abandonment - Between Port Barre and Jefferson Island, LA (not printed), served July 21, 1982, the Commission denied an appeal filed by the Louisiana Public Service Commission.

3. In Docket No. AB-6 (Sub-No. 116F), Burlington Northern Railroad Company - Abandonment in LaSalle County, IL (not printed), served August 13, 1982, the Commission denied joint petitions of the People of the State of Illinois, the Illinois Commerce Commission, and three other protestants to reopen and stay the effective date of an initial decision.

4. In Docket No. AB-1 (Sub-No. 148), Chicago and North Western Transportation Company - Abandonment In Kane and McHenry Counties, IL (not printed), served March 4, 1983, the Commission declined to hear an appeal filed jointly by the State of Illinois, the Illinois Commerce Commission, and one other protestant.

5. In Docket No. AB-43 (Sub-No. 100), Illinois Central Gulf Railroad Company - Abandonment - In McLean, Woodford, Marshall, LaSalle, Lee, Ogle and Stephenson Counties, IL (not printed), served September 15, 1983, the Commission denied a joint appeal filed by the State of Illinois, the Illinois Commerce Commission, and two other protestants.

6. In Docket No. AB-6 (Sub-No. 138), Burlington Northern Railroad Company - Abandonment - In Chouteau County, MT (not printed), served September 30, 1983, the Commission denied a petition to reopen filed jointly by the Montana Department of Commerce and the Montana Wheat Research and Marketing Committee.

7. In Docket No. AB-6 (Sub-No. 164B), Burlington Northern Railroad Company - Abandonment and Discontinuance of Trackage Rights Over Chicago and North Western Transportation Company in Whiteside, Lee, and LaSalle Counties, IL (not printed), served March 15, 1984, the Commission declined to hear an appeal filed

jointly by the State of Illinois, the Illinois Commerce Commission, and one other protestant.

8. In Docket No. AB-6 (Sub-No. 163), Burlington Northern Railroad Company - Abandonment and Discontinuance of Trackage Rights in Dickey County, ND (not printed), served April 6, 1984, the North Dakota Public Service Commission appealed an initial decision served March 9, 1984, authorizing the proposed abandonment and discontinuance. That appeal is pending and a decision is due by June 7, 1984.

SENATOR BURDICK: Lastly, does the ICC plan on modifying its standards based on the recent 1983 11th Circuit Court of Appeals decision in Georgia Public Service Commission v. United States?

ANSWER: In Georgia Public Service Commission v. United States, 704 F. 2d 538 and 710 F. Supp. 840 (1983), the court observed that the Commission's role in abandonment proceedings is to balance the immediate and local interests of the community and the shippers against the broader public interest in freeing interstate commerce from undue burdens. This has consistently been the Commission's role in such cases. The court did not disagree with the Commission concerning the factors to be considered in determining whether public convenience and necessity require or permit the abandonment. Rather, the court found that the record failed to support the Commission's conclusion in certain respects. Thus, the Commission's standards need not be modified based on the recent adverse court decision.

SENATOR BURDICK: I have been advised that the railroads are submitting unrepresentative cost factors to justify their position in abandoning a line. For example, in a typical branchline proceeding, a railroad submits the cost of providing service which includes various items such as replacement cost of locomotive and rail cars and fuel costs. Most branchlines operate with a small locomotive and freight cars, yet the ICC standards allow the railroad to submit costs based on replacing these small trains with large locomotives and hopper cars. Secondly, railroads can substitute the cost of operating a large train for the small train's fuel costs. These standards inflate the railroad's cost of providing service. Has the Interstate Commerce Commission considered a comparison of the actual cost of providing service with the profit generated by the specific line in question?

ANSWER: Both the Commission's regulations (Ex Parte 274 (Sub-No. 5), Revision of Abandonment Regulations (49 CFR 1152)) and its current position based on prior abandonment proceedings (Docket No. AB-57 (Sub-No. 7), Soo Line Railroad Company -- Abandonment decision served March 9, 1981) indicate that locomotive and freight train car costs shall be based on the current replacement value for each type and size indexed to the midpoint of the year or the amount quoted by the manufacturer. Thus, the Commission considers data for specific equipment used on the line rather than system averages.

The Commission's regulations allow the assignment of Transportation-Locomotive Fuel to the line segment on the basis of system averages. The railroad's system fuel is apportioned to the branch on the basis of the ratio of branch diesel locomotive unit-hours (road) to the railroad total diesel locomotive unit-hours (road). However, where equipment specific data (i.e., a fuel consumption study) is introduced and properly supported it

is used instead of system averages. Thus, while accepting system averages at a minimum, specific fuel data is considered perferable.

The Commission's abandonment rules require a demonstration of expenses to be saved (avoidable cost) and revenues to be lost as a result of the abandonment. Comparison of these items produces what is termed an avoidable loss or gain. Thus, the type of comparison in question is currently being accomplished as standard procedure in abandonment proceedings.

SENATOR BURDICK: The Interstate Commerce Commission is calculating a railroad's opportunity costs in operating a line based upon the incredible rate of return of 22.3 percent. In those cases where the Interstate Commerce Commission has approved abandonments, have the railroads been able to realize this 22.3 percent on the proceeds from an abandoned line?

If not, what was the average return?

ANSWER: While 22.3 percent may seem high in terms of what the railroads have been able to earn on average on book investment, it is not at all inconceivable that that high a return is required for the purposes of yield on net liquidation value of an abandoned line. The proceeds from sale of an abandoned line become an indistinguishable part of the total capital funds a railroad can draw upon for financing new investments. A railroad can be expected to finance new investments up to the point where the yield on any additional investment project is equal to the current cost of capital. We computed that current cost at 22.3 percent. In a sense, then, that is what the proceeds from sale of an abandoned line are worth; it is the return that a railroad can earn "at the margin" by employing those proceeds to invest in other railroad property. Whether 22.3 percent is what railroads in fact have earned on recent new investments is matter which we do not have the facts to confirm. Although a railroad would expect that rate of return from a new investment it decides to undertake, the actual yield may be different. Further, it may not be possible to measure adequately the actual yield without several years' historical data on earnings from the investment in question, which, for a recent investment, would not be available.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now stand in recess until 10 a.m., Wednesday, April 11, at which time we will hear from the Urban Mass Transportation Administration.

[Whereupon, at 12:05 p.m., Wednesday, April 4, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, April 11.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, APRIL 11, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Members present: Senators Andrews, D'Amato, Chiles, and Eagleton.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

STATEMENT OF RALPH L. STANLEY, ADMINISTRATOR

ACCOMPANIED BY:
ALFRED A. DELLIBOVI, DEPUTY ADMINISTRATOR
G. KENT WOODMAN, CHIEF COUNSEL
JAMES J. LOWREY, J. J. LOWREY, INC.

OPENING REMARKS

Senator ANDREWS. The subcommittee will come to order. This morning we are privileged to hear from the Urban Mass Transportation Administrator, Mr. Ralph Stanley, on his budget.

Mr. Stanley, it is good to have you here. Let me assure you that your total prepared statement will appear in the record as though given in its entirety. You may summarize it in any way you wish so that we can get to the questions.

INTRODUCTION OF ASSOCIATES

Mr. STANLEY. Mr. Chairman, thank you very much. I would like to read a short summary statement. I have a prepared statement I am submitting for the record.

I would like to introduce the UMTA staff who are at the table with me today. On my left is Alfred DelliBovi, Deputy Administrator, and on my right is Kent Woodman, the Chief Counsel.

As you know, Mr. Chairman, I have submitted a detailed introductory statement for the record, but I would like to briefly touch on some of the highlights of our fiscal year 1985 budget proposal which I believe are of interest to you. The rest of the time I will devote to answering any questions you may have.

BUDGET PROPOSAL

The Federal urban transportation program has come a long way since the first Federal action to assist urban areas in solving their transportation problems began with the Housing and Urban Development Act of 1961. This act authorized the Administrator of the Housing and Home Finance Agency to carry out a $25 million program of grants to assist in financing urban mass transportation research, development, and demonstration projects. The passage of the Urban Mass Transportation Act of 1964 established for the first time Federal grants for capital facilities by authorizing a 3-year grant program of $375 million; $75 million upon enactment and $150 million for each of the two subsequent years. The UMTA Act of 1974 marked another significant milestone with the addition of the formula program for capital and operating assistance.

January 6, 1983 represented another milestone in the evolution of urban transportation with the enactment of the Surface Transportation Assistance Act of 1982 which authorized a 4-year program of $14.9 billion. This legislation is a landmark not only because of the amount of funds authorized, but also because it has resulted in dramatic and far-reaching changes in the UMTA program. For the first time there is a dedicated source of funding for public transportation. There is now a greater local funding predictability and greater local control of decisions regarding the use of the funds. I am pleased to inform you that UMTA has made significant progress in implementing this program during the first year.

Today the Urban Mass Transportation Administration is requesting for fiscal year 1985 a budget that includes $2.97 billion in general fund appropriations and $1.1 billion for the trust funded Discretionary Grants Program.

One of the most sensitive issues facing UMTA is the allocation of the $1.1 billion in gas tax receipts made available by that act. We recognize there have been suggestions that this level be increased to $1.4 or $1.5 billion. I believe this higher amount is not appropriate since the total aggregate amount of funds authorized through fiscal year 1985 exceeds the total revenues for the same period, and a higher authorization level would consequently overcommit the mass transit account.

I am aware that the argument has been advanced that the mass transit account, from a cash flow perspective, could support higher authorization levels. However, the cash flow approach is not a financially responsible one. Using that approach runs the serious risk of overcommitting the trust fund, with outlays in excess of revenues.

We propose to use the discretionary resource primarily for rail modernization, bus acquisitions and new start projects. Within this level, we are planning to allocate $400 million for new start projects in accordance with the policy which will soon be released. This policy retains many of the tenets of previous statements issued on Federal financial support for major urban transportation capital investments, and also reflects recent congressional direction provided in conjunction with the

STAA of 1982 and the U.S. Department of Transportation Appropriations Act for fiscal year 1984.

We are prepared to financially assist cost-effective new construction, and will measure cost effectiveness in terms of transportation benefits; in particular, additional riders and time savings for existing transit users. These benefits are the most reliable and well recognized measures of how a transit facility will serve essential travel needs. We will also give credit for local financial commitment above the required local share, and will place special emphasis on evidence of stable and reliable funding sources to operate and maintain such systems.

RAIL MODERNIZATION

With respect to rail modernization, under the assumptions of this budget, the cities operating older rail transit systems are expected to use approximately $600 to $700 million to modernize these facilities from the section 9 program. Our request for $520 million under section 3 will, therefore, provide a combined resource of between $1.1 and $1.2 billion for rail modernization purposes and accelerate UMTA investments to reduce the substantial backlog of modernization needs to improve the quality, safety, and reliability of our Nation's existing transit systems. This compares with a pre-STAA level for this category of $950 million.

BASIC BUS SYSTEMS

We expect the Nation's basic bus systems needs to be reasonably accommodated by the section 9 program, which will provide approximately $1.1 to $1.2 billion for this purpose. This compares to a pre-STAA level in this category of about $850 million. Nevertheless, there may be cases where an urbanized area desires to make a major bus investment for its transit system beyond that which the section 9 formula program can accommodate. Such extraordinary investment needs can be assisted with the discretionary grant resources. Consequently, $100 million is identified for this purpose in fiscal year 1985.

Finally, within that $1.1 billion request, $80 million would be applied to the planning, elderly and handicapped, and innovative techniques programs.

We are requesting an appropriation of $2.39 billion for formula grants in fiscal year 1985, essentially the same as the fiscal year 1984 appropriation level. Our budget proposes that formula funds for operating assistance purposes be held to $545.5 million reflecting our continuing commitment to reduce the Federal role in operating assistance. This level also takes into account concerns regarding the need to phase out operating assistance in an orderly way and recognizes the differing needs of cities of varying sizes. Adoption of this proposal will result in a 5-percent increase in capital assistance over the fiscal year 1984 appropriated levels.

WASHINGTON METRORAIL SYSTEM

We are requesting an appropriation of $250 million under the Stark-Harris legislation to continue construction of the Washington Metrorail

system. This level will continue the current rate of construction on the 76.4 miles of the rail system recognized by the administration.

A fiscal year 1985 appropriation of $250 million is requested for mass transit projects substituted for withdrawn interstate highway segments. A $250 million a year appropriation level will fund the remaining transit substitute projects by 1989, just prior to the completion of the interstate highway system.

MASS TRANSPORTATION

To continue our technical assistance efforts in support of mass transportation, we are requesting $44.8 million in fiscal year 1985. We intend to increase our emphasis on financial planning and management, safety and security, and human resource activities. These additional efforts will be designed to assist grantees to improve their capacity for sound long-term financial planning and their ability to secure new non-Federal funding sources to meet capital as well as operating needs.

To fund administrative expenses of UMTA, we are asking for $31.3 million.

DISADVANTAGED BUSINESS ENTERPRISES

Before concluding, I would like to highlight one area, which is our progress in implementing the section 105(f) on disadvantaged business enterprise (DBE) participation in UMTA funded programs. For fiscal year 1983, data that we have had submitted so far shows awards of $298.4 million or 14.3 percent of awards under the UMTA program. The agency is currently receiving and reviewing goal submissions for fiscal year 1984. Data we have gotten for the first quarter shows $78.3 million or 15.4 percent of the funds have been awarded to DBE's. We are very proud of the progress we have made to date in this area.

In closing, I would like to point out two primary considerations which are reflected throughout this budget proposal. First, to further the President's goal of reducing the deficit and controlling Federal spending, we must work within the bounds of firm fiscal constraints using our resources wisely and efficiently and in areas where they will do the most good for the most people. We continue to support reducing burdensome requirements and giving local authorities maximum flexibility in decisionmaking.

Second, in this budget we have attempted to minimize the number of line items identified for the Discretionary Grants and Research, Training and Human Resource Programs. Such specificity at this time reduces future funding flexibility and the ability to accommodate unforeseen problems. It also reduces our ability to respond promptly to changing transit investment opportunities.

I would also encourage the committee to reconsider in fiscal year 1985 the increasing trend toward extensive earmarking within the categories contained in the budget. The information we obtain from the completion of the rail modernization study, experience we gain with the new formula grant program, and the development and application of the criteria for new starts will provide greater insight into actual transit funding needs and provide for more informative decisions by both the Congress and the Department.

PREPARED STATEMENT

Thank you for this opportunity to present our proposal. I am submitting a brief biography as you requested. I would be glad to answer any questions you have at this time.

Senator ANDREWS. Thank you very much, Mr. Stanley. Your prepared statement and the biographical sketch which you submitted to us will be inserted in the record.

[The statement and biographical sketch follow:]

STATEMENT OF RALPH L. STANLEY

Mr. Chairman and distinquished members of the Subcommittee, thank you for this opportunity to appear before you to discuss our budget proposal for fiscal year 1985 and the Urban Mass Transportation Administration's (UMTA's) implementation of the Surface Transportation Assistance Act (STAA) of 1982.

I am pleased to be here today in my first appearance before this Subcommittee as Administrator of the Urban Mass Transportation Administration. In this statement and in my efforts to respond to your questions, I will address the major issues and concerns expressed by individual members of this Subcommittee and current mass transit issues.

This morning I will first describe UMTA's overall progress in implementing the STAA of 1982. I will then summarize our FY 1985 budget request and conclude by discussing the policies that provide a framework for the FY 1985 program levels we are proposing.

NEW LEGISLATION

Mr. Chairman, January marked the first anniversary of the enactment of the STAA of 1982. This landmark legislation established a Mass Transit Account in the Highway Trust Fund which provides a dedicated source of funding for mass transit capital activities. The legislation also created a new formula to provide both capital and operating assistance. The section 9 formula assistance programs provide greater predictability of annual funding for routine requirements of urbanized areas.

The STAA of 1982 also resulted in changes in three regulations affecting UMTA programs: the minority business enterprise regulation, the regulation issued pursuant to section 504 of the Rehabilitation Act of 1973 prohibiting discrimination of the handicapped, and the Buy America regulations.

I am pleased to advise you that UMTA has made significant progress in implementing the new legislation during its first year of enactment.

Discretionary Resource Allocation

One of the most sensitive issues facing UMTA is the allocation of the $1.1 billion in gas tax receipts made available by the STAA. The $1.1 billion level requested in the budget is the maximum amount provided for in the authorization. We recognize that there have been suggestions that this level be increased to $1.4 or $1.5 billion. I believe this higher amount is not appropriate since the total aggregate amount of funds authorized through FY 1985 exceeds total revenues for the same period, and a higher authorization level would consequently overcommit the Mass Transit Account.

Let me explain my reason for taking this position in more detail. The authorization for FY 1983 was $779 million, for FY 1984 it is $1,250 million, and for FY 1985 it is $1,100 million, for a total of $3,129 million. For the same period of time, the gas tax revenues and the interest on the accrued fund total only $3,055 million. Based on these figures, there is an estimated revenue shortfall of $74 million relative to authorizations. Cumulative revenues are not expected to exceed cumulative authorizations until FY 1986. Authorizing more outlays than revenue can support is not prudent management. I believe it would be more appropriate to wait until next spring to consider the appropriate authorizations for FY 1987 and beyond.

I am aware that the argument has been advanced that the Mass Transit Account, from a cash-flow perspective, could support higher authorization levels. However, the cash-flow approach is not a financially responsible approach. Using the cash-flow approach runs the serious risk of overcommitting the trust fund, with outlays in excess of revenues.

We propose to use discretionary resources for rail modernization projects, bus projects, and new start projects. For rail modernization, UMTA will concentrate section 3 resources on rebuilding the transit infrastructure. The bus category will be used for major bus system expansions and other extraordinary bus capital projects.

We have considered a number of factors in developing a policy to allocate section 3 funds for new starts. The policy that has been developed retains many of the tenets of the policy statements issued in 1976, 1978 and 1980 regarding Federal financial support for major urban transportation capital investments. It also reflects recent congressional direction provided in conjunction with the Surface Transportation Assistance Act (STAA) of 1982 and the Department of Transportation Appropriations Act for fiscal year 1984. UMTA has developed a set of criteria which will be used in evaluating contending applications for scarce new start funds. The factors that will be considered are:

> The strength of support at the local level, especially as evidenced by firm commitments to fund a project with other than Federal funds, looking toward a goal of a 50 percent local share; assurance of a stable and reliable source of non-Federal funds to operate and maintain the system once it is constructed; cost-effectiveness taking into consideration capital and operating costs; attraction of new passengers; travel time reductions for existing passengers.

Formula Grants Program Implementation

With regard to the implementation of the Formula Grants program, within a month of the statute's enactment we published apportionments for the section 9A grant program, a special one-year capital formula program which was funded in fiscal year 1983 from the Mass Transit Account of the Highway Trust Fund. During this period we also developed and distributed to the transit community instructions for the implementation of the section 9A program. UMTA worked very closely with transit representatives in developing guidance on the new formula programs. Much of the success in the quick and effective implementation of the new Formula Grants programs is the result of these cooperative efforts with the transit industry. To date, $588 million of the $756 million made available in FY 1983 for the section 9A program has been obligated, and another $106 million has been programmed for obligation in fiscal year 1984. The remaining section 9A funds are available to urbanized areas for obligation until September 30, 1986. We expect that most, if not all, of the section 9A funds will be obligated by that date.

The section 9 formula grant program created by the STAA became effective this past October 1st. This program will fund routine capital projects, limited operating subsidies, and planning. The capital projects include routine expansion of bus service, routine rail modernization, replacement of old buses, normal bus facility construction and modernization, bus rehabilitation and the purchase of related support equipment.

Our experience with section 9A last year was valuable in the implementation of the section 9 formula grant program this year. On June 27, 1983, UMTA issued a circular which set forth the instructions for implementing the section 9 program. Like the section 9A circular, the section 9 circular draws upon statutory language from the STAA to streamline the grant process by strongly encouraging a single annual grant application to cover a grantee's activities during an entire year.

Moreover, the circular relies upon the self-certification process specified in the STAA to eliminate the submission of lengthy project justifications and elaborate background materials. In sum, we believe the formula program has been implemented quickly and with few problems, and we know our grantees are pleased with the less burdensome and much expedited grant process under this new program. To date, $1.9 billion of the $2.32 billion appropriated for section 9 in fiscal year 1984 has been programmed for obligation, based on information received from UMTA's Regional Offices on grantees' requests at this time. We expect virtually all of these funds to be obligated this year.

Disadvantaged Business Enterprise

Section 105(f) of the STAA requires that, except to the extent that the Secretary determines otherwise, not less than 10 percent of the funds authorized to be appropriated under the Act be expended with small businesses owned and controlled by socially and economically disadvantaged individuals. To implement section 105(f), the Department issued a regulation on July 21, 1983, which amended the Department's existing minority business enterprise regulation to incorporate provisions increasing disadvantaged business enterprise (DBE) participation in the Department's transit and highway projects and to include the new grant programs created by the 1982 Act.

As a transition year, fiscal year 1983 can be viewed as a success. Data submitted by UMTA recipients of Federal assistance subject to the 105(f) requirements show awards of $298.4 million, or 14.3 percent, to disadvantaged business enterprises.

During fiscal year 1983 UMTA conducted a workshop to train UMTA regional staff advising transit agencies about procedures for implementing the regulations issued We also worked closely with States and localities to help them fulfill the intent of the law.

UMTA, in addition, has entered into a cooperative agreement with the Florida State Conference of NAACP branches to identify barriers to DBE participation in selected grantees' programs, to provide technical assistance increasing DBE participation in UMTA-funded projects and identify and match qualified DBE's with available contract opportunities so grantees can meet their DBE goals.

It is hoped this agreement will foster a cooperative approach toward disadvantaged business utilization between grantees and DBE's in attaining the 10 percent goal in the 1982 legislation. If effective, this agreement could provide an excellent model for similar cooperative approaches nationally.

Another activity currently underway involves the initiation of a bonding program demonstration to assist disadvantaged business enterprises (DBE)and women-owned business enterprises (WBE's) in securing contracts. UMTA has also initiated efforts to automate program and contract award data received from grant recipients on DBE and WBE activity. This will help us to monitor more quickly and efficiently the implementation and effectiveness of DBE/WBE programs.

The agency is currently receiving and reviewing goal submissions from grantees for FY 1984. Thus far, only one recipient has requested UMTA approval of a fiscal year 1984 goal of less than 10 percent. Based on goals submitted to the Federal Highway Administration by State departments of transportation, we anticipate a few additional requests for lower goals.

First quarter fiscal year 1984 DBE/WBE data submitted by 76 percent of the recipients of UMTA funds show awards of $78.3 million or 15.4 percent to disadvantaged business. It is our intention to conduct compliance reviews of UMTA recipients during the current fiscal year. This should aid in the verification of data submitted by grantees and bring about a greater degree of credibility to the DBE program.

Elderly and Handicapped

Section 317 of the STAA required the Department to amend its existing interim rule concerning transportation for elderly and handicapped persons. On September 8, 1983, the Department issued a Notice of Proposed Rulemaking to implement this amendment. In accordance with the new subsection, the proposed rule would: establish minimum criteria that UMTA recipients must meet for the provision of transportation services to elderly and handicapped persons; establish procedures for the Department of Transportation to monitor recipients' compliance; and ensure that elderly and handicapped persons, and organizations representing them, have an opportunity to comment on a recipient's compliance plan.

At the request of several parties, including organizations representing elderly and handicapped persons, the Department extended the normal public comment period time into early December. Currently more than 600 comments received on the proposed rule are being reviewed. We hope to have the final rule in place later this year.

Buy America

Section 165 of the STAA replaced previous Buy America requirements. On September 15, 1983, UMTA published regulations implementing the new statute and requesting comments on the regulations.

One of the issues repeatedly raised in comments received concerns the statute's elimination of the $500,000 threshold for application of Buy America requirements. Commenters have expressed their desire that some minimal dollar level of applicability be reinstated due to the impact on smaller areas. I am

inclined to support a $500,000 threshold figure because I feel the intent of Buy America will be met, and at the same time, unnecessary administrative burdens on all grantees for small purchases and on small grantees for all of their purchases would be eliminated.

Section 18

A significant activity that did not result directly from the passage of the STAA was the transfer of the responsibility for administering the Section 18 formula program for nonurbanized areas from the Federal Highway Administration to UMTA. UMTA began administering this program on October 1, 1983. We used the opportunity provided by this transfer to streamline administrative procedures reducing the Federal role in the project development and approval process, and to enhance responsibilities of State agencies in program development and management.

UMTA issued program guidance containing the streamlined procedures in September 1983 in order that these procedures could be immediately implemented when UMTA began administering the program on October 1, 1983. Since October 1, 1983, UMTA has approved applications from 26 States for section 18 assistance totaling $33.8 million.

During the meeting with the Transportation Research Board and the American Association of State Highway and Transportation Officials last December, State representatives expressed satisfaction with UMTA's management of the section 18 program.

BUDGET PROPOSAL

Now let me turn to this year's budget request. I feel that the FY 1985 budget proposal is responsive to the needs of the transit community, and at the same time reflects the important goal of controlling Federal spending. The budget proposal includes a request for a $1.1 billion obligation limitation on contract authority from the Mass Transit Account of the Highway Trust Fund for Discretionary Grants, and $2.97 billion in general funds for UMTA's Formula Grants, Washington Metro, Interstate Transfer-Transit, and Research, Training

and Human Resource programs. While this level represents a slight decrease from the FY 1984 appropriation level, it provides an increase in the total capital program and holds operating assistance to a $545.5 million maximum level. This reflects UMTA's plan to extend the phaseout of operating assistance from FY 1984 to FY 1989.

Before getting into a description of the budget request levels for the various program areas, I would like to point out that in presenting the FY 1985 budget we have not, for the most part, earmarked the programs at the category level and specific project levels. This is because earmarking beyond the program level either by UMTA, in its budget request, or by the Subcommittee reduces future funding flexibility and the ability to accommodate unanticipated problems or needs. It also reduces the ability to respond promptly to changing transit investment opportunities.

I also believe earmarking beyond the level contained in the FY 1985 budget request, at this time, would be premature. The information we obtain from the completion of the rail modernization study, experience we gain with the Formula Grants program, and the development and application of the criteria for new starts will provide a more concrete understanding of true transit funding needs and permit more informed funding decisions to be made.

Discretionary Grants

The FY 1985 budget requests an obligation limitation of $1.1 billion on the contract authority to be funded from the Mass Transit Account. Of this amount, $400 million will be devoted to new start projects consistent with the new starts policy and evaluation process. A total of $520 million is planned to continue rail modernization through the rehabilitation and reconstruction of older rail systems. While most bus-related needs will be met through the Formula Grants program, we believe it prudent to devote $100 million of the Discretionary Grants resources to fund extraordinary bus and bus-related projects that a grant recipient cannot adequately handle through regular formula apportionments.

Our policy rationale in distributing the Discretionary Grants funding is heavily based on how we anticipate grant recipients to utilize their formula apportioned funds.

The largest category of investment under the section 3 Discretionary Grants program is rehabilitation work on the older rail transit systems. While the results of a rail modernization study, which will quantify and document the investment needs of the older rail systems with some precision, are not fully available, it can safely be assumed that a level of investment at least equal to that of recent years is advisable, i.e., approximately $850 million per year from Federal resources.

Under the assumptions of this budget, the cities operating older rail transit systems are expected to use approximately $600 to $700 million to modernize these facilities from the section 9 program. Our request for $520 million for rail modernization under section 3 will therefore permit these rail dependent cities to accelerate their rail modernization programs. The combined section 9 and section 3 resources would deliver between $1.1 and $1.2 billion for rail modernization purposes and reflect the need to accelerate UMTA investments to reduce the substantial backlog of modernization needs and to improve the quality, safety, and reliability of our Nation's existing transit systems.

Most of the Nation's bus systems needs can be reasonably accommodated by the section 9 program, which will provide approximately $1.1 to $1.2 billion for this purpose. This compares to a pre-STAA level for this category of about $850 million ($500 million from section 3 plus $350 million from section 5, Tier IV). Nevertheless, there may be cases where an urbanized area desires to make a major investment in its transit infrastructure beyond that which the section 9 formula program can accommodate during this authorization cycle.

Such extraordinary investment needs can be assisted with Discretionary Grants resources. Consequently, $100 million is identified for this purpose.

The next category is investment in new fixed guideway transit construction in those urbanized areas where such construction can be demonstrated to be a cost-effective way of meeting urban mobility needs and where a dedicated and sustainable source of local funding exists. Proposed projects will be evaluated under new starts criteria developed by UMTA. The budget request proposes $400 million for cost-effective new start or extension projects, about the same level as fiscal year 1984, of which $108.6 million is committed against existing Letters of Intent.

Also within the $1.1 billion request, $50 million would be applied to section 8 Planning grants, $25 million to the section 16(b)(2) Elderly and Handicapped program, and $5 million for the section 4(i) Innovative Techniques program. The 3(a)(1)(c) Technology Introduction program is not singled out for a specific amount but it will be given priority consideration within the context of the regular section 3 program categories.

Formula Grants

We are requesting an appropriation of $2.39 billion for section 9 Formula Grants in FY 1985. This is essentially the same as the FY 1984 appropriation level. In accordance with the STAA of 1982, 2.93 percent, or $70 million, will be available to nonurbanized areas under the section 18 program and $2.32 billion will be available for urbanized areas under the section 9 program. As we mentioned earlier, our budget also proposes that formula funds for operating assistance purposes be held to $545.5 million compared to the original phaseout plan which contemplated zero funds for operating assistance in FY 1985. This level of $545.5 million reflects our continuing commitment to reduce the Federal role in operating assistance but also takes into account the concerns expressed by Congress and the need to phase out operating assistance in an orderly way.

Additionally, our proposal for reducing operating assistance in FY 1985 is not an across-the-board reduction. Operating assistance levels were reduced by 16 percent in the Surface Transportation Assistance Act of 1982 through

limitation on operating assistance that vary by city size. Our current budget proposal parallels this concept. In no case, however, will any city, large or small, lose any portion of its formula share of funds from section 9 because of the operating assistance caps. The cap distributes a larger share of the formula grant to capital projects within each city and should thereby free up local funds for operating assistance.

There is no proposed reduction below the STAA cap for cities with populations between 50,000 and 200,000 and non-urbanized areas. For cities with populations between 200,000 to 1 million, the proposed cap is 75% of the 1982 STAA cap. For cities over 1 million, the proposed cap for FY 1985 is 50% of the STAA cap. The levels reflect our recognition of the difference between large and small cities in their reliance on Federal assistance to meet operating costs. That is, smaller cities tend to cover a larger percentage of operating expenses with Federal assistance and are thus more dependent on Federal assistance.

UMTA anticipates the need for $1,774 million for capital activities, approximately $1,100 to $1,200 million to be used for bus projects and about $600 to $700 million for rail modernization projects. However, these figures are only projections based upon limited historical experience. The actual usage will be determined at the local level.

The Formula Grants (section 9) funds will be distributed by the legislative formula of the 1982 STAA.

Interstate Transfer Grants-Transit

An FY 1985 appropriation of $250 million is requested for mass transit projects substituted for withdrawn Interstate segments. Based on current estimates, the cost of completing transit substitute projects amounts to $1.17 billion beyond the current fiscal year. A $250 million per year appropriation level will fund the remaining transit substitute projects by 1989, just prior to the completion of the Interstate Highway System.

Washington Metro

We are requesting an appropriation of $250 million under the Stark-Harris legislation to continue construction on the Washington Metrorail system. The system has received an average of $275 million a year for the past six years for Metrorail construction. The level of funding requested in FY 1985 is the same as was appropriated in FY 1984. This level will continue the current rate of construction on the 76.4 miles of the system to which this Administration has agreed. At this level, funding for the 76.4 miles could be completed in fiscal year 1987.

Research, Training and Human Resources; Administration

To continue our technical assistance efforts in support of mass transportation, we are requesting $44.8 million in FY 1985. To fund the Administrative Expenses of UMTA will cost $31.3 million. Both of these appropriations are subject to a combined authorization of $90 million.

The Research, Training and Human Resources program funding level requested maintains the FY 1984 level for these activities, except no funding is being requested for the Advanced Group Rapid Transit and Maglev development projects. Our Technical Assistance program continues to provide improvements in public transportation systems, service management and equipment through a strong, responsive, and cooperative program with State and local governments, transit operators, manufacturers, suppliers and academia.

Within the requested level for Research and Training, UMTA will increase its emphasis on financial planning and management, safety and security, and human resources activities. In fiscal year 1985, we will institute a policy seeking to recover 50 percent of costs for the training of non-Federal employees. We will also continue our policy of requesting a local match on all research, development, and demonstration projects on a sliding scale depending upon project risk and other factors.

The Administrative Expenses funding being requested for FY 1985 represents an increase of 3 percent over the FY 1984 level. We must continually explore

ways to make the most productive use of our available resources. To that end, this increase reflects UMTA's efforts to modernize the information systems and equipment used by UMTA employees in administering the program.

Current Issues

The FY 1985 budget proposal which I have just summarized has been developed within an overall policy framework. In closing, I would like to reiterate the primary considerations reflected throughout the FY 1985 budget proposal.

In furthering the President's goal of reducing the deficit and controlling Federal spending, we must work within the bounds of firm fiscal constraints, using our resources wisely and efficiently, and in areas where they will do the most good for the most people.

UMTA will maintain its role as assistant and supporter. We continue to support the return of both dollars and decisions to local transit planners and decisionmakers by providing maximum flexibility and reduction in burdensome regulations and requirements.

Priority will continue to be given to maintaining and improving the Nation's transit infrastructure.

With respect to operating assistance, our intention is still to phase out operating assistance because transit fare and service decisions, and the subsidy requirements resulting from these decisions, are local responsibilities.

However, the original intent to phase out operating assistance in FY 1985 has been revised to extend the phaseout to FY 1989. The adjustment in the schedule for the phaseout and limitations has been made to reflect congressional actions and concerns, and to address the difference in the dependency of larger and smaller communities on Federal operating assistance.

Given the need to consider financial impacts more seriously in the face of fiscal contraints, emphasis will be given to assisting transit decisionmakers, operators and planning agencies in modernizing their management and operational analyses, financial planning capabilities (in such areas as transit operations analysis, cost-effectiveness assessment, financial forecasting and the evaluation of transit funding mechanisms), and reducing the cost of maintenance.

UMTA will continue to promote greater cooperation between the public and private sector in the financing and operation of transit service.

We will increase our emphasis and focus on transit safety and security, and will continue to work cooperatively with State and local governments and transit operating agencies to provide safe and secure transit systems. This will be done through technical assistance activities, training, and the support of peer review activities.

We will give increased attention to construction management and construction management oversight. Construction management is the primary responsibility of the grantee and involves those management functions required to control, monitor, inspect, test, and coordinate the numerous construction activities. The purpose of construction management is to complete projects on time, within budget, and in accordance with plans and specifications.

Construction management oversight is a term used to describe the management review and oversight functions to ensure that the construction management process is properly implemented. We plan to expand our efforts in this area. We have instructed all Regional Offices to assure that all quarterly progress reviews for major construction projects are held and that quality assurance, quality control, and construction management plans are regularly reviewed. All future full-funding contracts will provide for both construction management and construction management oversight. Other activities are being developed and planned to support this important area, including the publishing

of construction management guidelines and the expansion of a construction management training program.

Perhaps one of the greatest challenges that faces us is the development and implementation of a good public policy and methodology for making decisions on funding new starts projects.

As I have previously stated, among the factors which will be considered in our project evaluation criteria for funding new starts are the degree of local financial commitment (including evidence of stable, dependable, non-Federal funding sources to operate and maintain the system) and cost- effectiveness (based on consideration of capital and operating cost, attraction of new passengers, and travel time reduction for existing passengers). This is just one of the requirements which support my intent to give priority to the introduction of more reliable planning for available Federal assistance.

This planning should include consideration of various alternatives. In this regard, we consider that busways shall be eligible for new starts funding for fixed guideway projects. In some cases, busways turn out to be less expensive alternatives than either light or heavy rail projects.

Such projects also reflect the philosophy UMTA shares with FHWA that attention must be paid to improving the efficiency of both highway and transit systems. Administrator Barnhart has expressed his full support for these busway projects, noting their vital role in serving the transportation needs of metropolitan areas, and has pledged FHWA cooperation in working with the States to help make highway funds available where appropriate.

Mr. Chairman, I feel that the FY 1985 budget proposal before you addresses the transportation needs of the Nation, and at the same time reflects the primary concern of us all to utilize our resources efficiently and effectively. Thank you for this opportunity to present our proposal. My staff and I would be pleased to answer your questions.

BIOGRAPHICAL SKETCH

RALPH L. STANLEY, ADMINISTRATOR

URBAN MASS TRANSPORTATION ADMINISTRATION

Ralph L. Stanley is the Administrator of the Urban Mass Transportation Administration (UMTA), the federal agency responsible for more than $4 billion per year in assistance to the Nation's transit systems.

Prior to taking the UMTA assignment, he served as Chief of Staff to current Secretary Elizabeth Hanford Dole and Special Assistant for Policy to her predecessor, Drew Lewis. In that capacity, he was a senior policy advisor to both Secretaries on major Departmental and Cabinet Council issues. Stanley has also served in the White House Office of Communications and Public Affairs where he worked on a project to improve coordination between the White House and members of the President's Cabinet and subcabinet.

An attorney, Stanley was an associate in the Washington, D.C. office of the Houston, Texas, law firm of Bracewell and Patterson. Stanley has done legislative research for the Grocery Manufacturers of America and has been a writer for the National Broadcasting Company (NBC) on a documentary program about election campaign reform.

Stanley was active in both the Reagan-Bush and Ford-Dole presidential campaigns.

Stanley is a member of the District of Columbia Bar. He was graduated from the Georgetown University Law Center in 1979 after receiving his B.A. from Princeton in 1974. He also attended Oxford University in England.

EARMARKS

Senator ANDREWS. Does UMTA intend to meet the congressional earmarks provided for the interstate substitute program and the new start category?

Mr. STANLEY. Yes; it is our intention to comply with the earmarks from last year's budget in both those categories.

SECTION 3 BREAKOUT

Senator ANDREWS. There has been much discussion concerning the proper split in the capital program between competing demands. For instance, new starts versus rail modernization versus bus-related projects.

Can you describe for the committee how you derive the allocation that you present, $400 million in new starts, $520 million in rail modernization, and $100 million for bus-related projects?

Mr. STANLEY. For the $1.1 billion in section 3, those breakdowns are somewhat reflective of the proportionate allocation arrived at last year. We have also analyzed the needs and requirements that we feel could

be met under the capital assistance program and the formula program provided in section 9. We determined the breakout and that the estimate within the budget for those needs would be adequate to meet the current transit investment in each of those three categories that we anticipate in fiscal year 1985.

Senator ANDREWS. Were these levels generated by your staff or in negotiations with OMB?

Mr. STANLEY. They were generated by our staff in consultations with both the Office of the Secretary and the Office of Management and Budget.

NEW START CRITERIA

Senator ANDREWS. As you know, this committee in last year's report accompanying the fiscal year 1984 bill instructed UMTA to develop new start criteria.

What is the status of that report?

Mr. STANLEY. At the present time UMTA has submitted for review to the Office of the Secretary a policy statement which works off the criteria outlined in last year's appropriations report and describes in a narrative form what both our procedures for funding new start and new construction will be as well as a further explanation of those criteria. Subsequent to the publishing of that statement, which I would be glad to share with the committee prior to our submission to the Federal Register, we will be coming up with a system of rating the competing projects from both a cost-effectiveness standpoint as well as an analysis of the financial viability of each of those projects.

Senator ANDREWS. Is that report then essentially ready?

Mr. STANLEY. I anticipate the report would be ready within the next 2 to 3 weeks. I would hope that the cost-effectiveness ratings I referred to as well as the financial analysis starting with the 12 projects that were mentioned in last year's appropriations report would be ready well before the end of the month.

Senator ANDREWS. You will then share that with the committee before we go into markup?

Mr. STANLEY. Yes.

Senator ANDREWS. What status has UMTA planned to give the new start criteria? Do you envision the new start criteria to be used as administrative guidelines, as guidance for the Appropriations Committee or do you plan to formalize the criteria as part of a rulemaking effort?

Mr. STANLEY. I think that the current plans for the criteria would be to provide both administrative guidance to UMTA as well as to Congress in sorting among the competing demands of these projects. The need for some rational set of ordering, I think, is created by our analysis of the demand that is going to be confronted over the next 2 to 3 years. I think if it is memorialized later, either in a formal rulemaking or as part of any transit legislation that exists, the administration will be supportive of that.

Senator ANDREWS. What you then, in effect, are telling the committee is that you support rulemaking which would take away the discretion of the Appropriations Committee?

Mr. STANLEY. I would say that rulemaking or guidance, be it administrative guidance or guidance from Congress, is essential in terms of sorting out that kind of demand. The aspect of the policy statement that, I think, is most important to recognize is that the projects that are competing for the limited resources in section 3 all go through the same analysis process and all be subject to the same criteria.

Senator ANDREWS. Let us get back to what you said first. Do you intend to have this be a disbursement through your bureaucracy or a disbursement by earmarking in the appropriations process?

Mr. STANLEY. It would be my hope that there would be an accord reached between Congress and the administration on the viability of this kind of rating system on the projects so that there would be an accommodation between both the Congress and the administration on how those section 3 resources ought to be allocated.

Senator ANDREWS. In other words you then, shall we say, can be inferred to be less than firm on the desire to move ahead with rulemaking?

Mr. STANLEY. There is not a present plan to memorialize it in a rulemaking. I would anticipate that the administration would be supportive, to the extent these criteria are acceptable both to the Office of the Secretary and the Office of Management and Budget, of having the criteria as part of any future transit legislation applying to section 3.

Senator ANDREWS. You would rather have them knocking on your door than come to public hearings in front of the peoples' branch?

Mr. STANLEY. I welcome each of the competing proposals in public hearings. I have met with representatives of 10 of the 12 projects that were earmarked last year. I think for the purposes of both the cities that are competing for the funds and the transit industry in general, there has got to be some rationale applied to how the funds are going to be allocated both for fiscal year 1985 and in the future years.

50 PERCENT MATCHING GOAL

Senator ANDREWS. In directing UMTA to work toward the 50 percent matching goal for new starts, the committee envisioned that you had two major responsibilities.

First, to provide technical and other assistance to help areas and identifying potential funding sources and, second, to make sure that applications for funding contained a reasonable funding package.

What have you done in these two areas?

Mr. STANLEY. We have provided a good deal of technical assistance to those cities and those projects that are planning new start construction. One activity we have undertaken, is to have a consultant, Jim Lowrey, of an investment banking firm in New York, analyze each of the proposals that were mentioned in last year's appropriations report.

We are continuing to provide a very adequate level of planning and technical assistance funds to each of the cities that are in various stages of planning for major new start investments and we are encouraging them to use local funds as well. One of the criteria is that we would al-

locate funds that are available to those cities willing to provide the highest local match.

NEW START: LOCAL FUNDING SOURCES

Senator ANDREWS. In reviewing grant applications, can UMTA now provide the committee some assurance that a particular area has exhausted all available funding sources?

Mr. STANLEY. I think that one of the questions that we are asking of the various communities is that they have taken a look at the full panoply of alternative financing mechanisms that are available at the local, State, and county level.

Senator ANDREWS. Will this be a part of your financial review?

Mr. STANLEY. Yes; it will be.

Senator ANDREWS. What financial analysis does UMTA perform when it receives the new start funding proposal or when changes are made to an existing proposal?

Mr. STANLEY. Prior to the receipt of a proposal, UMTA is involved in the systems planning, the alternatives analysis, and the development of financing mechanisms. This occurs during the course of developing an environmental impact statement. We are usually very, very familiar with the proposal prior to any formal submission either to Congress or to UMTA for section 3 grant funds to begin construction.

I think the need from UMTA's standpoint is to conduct an independent analysis of the figures that are provided from the city and from the region, not only to the adequacy of the funding sources that they list as local funding alternatives, but the stability and reliability of those funding sources.

Senator ANDREWS. How much of this review is done in-house and how much does UMTA rely on outside consultants?

Mr. STANLEY. Today the majority of that review has been done in-house by UMTA staff. I, however, as I indicated earlier, have asked investment banking consultants to take a hard look at the projects that are currently under consideration that are asking for construction funds over the next 2 fiscal years, and they are going to be preparing that report shortly.

OUTSIDE FINANCIAL ANALYSIS

Senator ANDREWS. So you have an outside financial analyst?

Mr. STANLEY. Yes; we do. Mr. James Lowrey is here today and would be available to answer any questions you may have.

Senator ANDREWS. As long as he is here, and I assume he is here because it looks like you have cleaned out the place to come over here, how does he assist? Can he explain how he neatly assists UMTA?

Mr. STANLEY. If I can ask Mr. Lowrey to come up to the witness table, Mr. Chairman?

Senator ANDREWS. Yes; be our guest.

Mr. LOWREY. Good morning, Mr. Chairman.

Senator ANDREWS. It is good to see you.

Mr. LOWREY. Thank you.

Senator ANDREWS. Can you tell us how you assist UMTA in this and why it is more favorable to go outside the agency to find this type of expertise rather than having it in-house?

Mr. LOWREY. Well, first of all, Senator, I personally have been involved in various aspects of public finance for about the last 20 years. Our firm represents in the neighborhood of 70 States and political subdivisions at this point. Our profession is to do an analysis on proposals presented to us heretofore on behalf of the States or the local governments. Most often what happens is a proposal is presented in this form: We would like to build a convention center or we would like to build a new port or new airport or something of that nature. Our mission in life is to determine, No. 1, whether this is something they should do, whether it is something they can afford to do and, if they can afford to do it, how should it be done?

Unlike many investment bankers, we really do get paid to tell people that they shouldn't do things, because one of our guiding philosophies is that an issuing entity, a person that incurs or an entity that incurs debt, should be stronger after the issuance of debt rather than weaker.

And one of the things we do concern ourselves about is whether we are really dealing with an expanding pie. That is, if a capital investment is made, is society better off because the gross national product has grown, and so many other things that go into this component, or is society worse off where it is a sum zero gain.

A case in point might be where you raise a sales tax by 1 percent or 2 percent in a given district; what kind of economic impact will this have on the district? Will sales suddenly start to go to suburbia, away from the city, and will indeed commerce be reduced rather than increased because, in the first instance, the stream of revenues has been increased, and in the second instance, the total stream of revenues could be decreased. In any event, we deal with this problem as though we are in some degree of closed environment and in some degree it is a sum zero gain starting in the first instance.

What we do is just try to provide, if the determination is made that it would be a good project to undertake, the opportunities available to the elected officials so that they optimize their decision in the process of selection.

Now specifically with respect to rapid transit systems and so forth, it is our understanding that part of UMTA's program is a joint development program, for lack of a better expression, where the municipality contributes costs in terms of operating and they contribute in terms of capital formation.

We have been commissioned to determine, No. 1, I guess foremost, whether the municipality can meet its obligation to the U.S. Government, and No. 2, if they can meet their obligation, in what form should this obligation take? A good example might be you have a proposal on the table and you tell me don't worry about it; we are going to come up with the money in the future. I say that is very nice, and you say it is going to come out of the general fund.

In many instances governments change every 2 years and every 4 years. Also, committing the general fund is somewhat of a nebulous commitment and there are all kinds of pressures on the general fund. As needs arise that have been unanticipated in the future, we find that these needs exert additional pressure on the general fund. One of our missions is to determine the different kinds of streams of revenues that exist now and the different kinds of streams of revenues that could be created so that a pledge could be made to the Federal Government that this obligation would not only be met now, today, but would be met in the future.

There are two components to which I think we have to concern ourselves with respect to the uses of funds over time. One can come under the heading of capital and, therefore, we have to deal with the return of principal and we have to deal with the interest payments on that principal. And right at this point in time with this interest rate structure, we are probably talking about a 2-to-1 ratio, so it is quite expensive. On the other side of the equation, we are talking about, with respect to transportation, operating deficiencies. It is a known fact or, let us say, an accepted fact that transportation systems cannot pay for themselves out of the fare box.

FINANCIAL ANALYSIS OF NEW START PROJECTS

Senator ANDREWS. Actually what you are doing then is providing the expertise and working in cooperation with the administrator.

Now, the administrator said there was going to be a report ready roughly in a couple of weeks. You have cooperated on that report, so you can in a sense with your professional expertise tell us if the numbers are accurate?

Mr. LOWREY. We will be able to do that, Senator. We have been working on this now for a couple of months. The study has not been completed.

Senator ANDREWS. It will be in a couple of weeks?

Mr. LOWREY. That is our expectation unless there is some unforeseen event.

Senator ANDREWS. You will share it with the committee when it is finished.

Mr. STANLEY. If I can make just one comment on the analysis that Mr. Lowrey is doing. He has taken each of the 12 projects that were listed last year, taken a look at the funding sources that they have indicated they intend to use or plan to use on those projects, and rated them according to the stability and reliability of those funding sources. We ask a series of questions: Is it a general revenue tax that is available for the next 2 years and, given the extent and length of the obligation those properties are asking for from the Federal Government, is the local share commensurate and the local funding sources stable enough to be in place throughout the construction phase and, of course, during the operation of the project? On an objective basis, we rate them one against the other based on stability and purely from a financial standpoint.

Senator ANDREWS. Thank you very much. Senator Chiles, I know you have to go in a moment.

FISCAL YEAR 1984 NEW START EARMARKS

Senator CHILES. Thank you, Mr. Chairman.

Mr. Stanley, as you know, we earmarked 12 new start projects in last year's conference report. One of those was in St. Louis and Senator Eagleton has talked to me about that, and one of them was in Jacksonville, and it seems like everyone in Jacksonville continues to talk to me about that project.

Needless to say, the earmarking provided last year raised expectations very high in those 12 cities.

I cannot tell with your new criteria; are you proposing to disregard last year's earmarking or do you intend to use the criteria prospectively?

Mr. STANLEY. We have no plans to disregard last year's earmarking. The funds that were earmarked last year are available for a period of 3 years in addition to the year in which they are authorized. Some have been obligated.

I have met individually with 10 of the 12 cities. I can provide for the record a status report for each of those earmarks and the progress on each. Some are being held in abeyance until environmental requirements are met or alternatives analysis are complete. Some cities are concerned about how those funds are going to be used themselves. Funds have been released to Baltimore. We are negotiating with Buffalo, for instance, on the composition of their startup costs for the money that has been allocated to them. And, again, there has been no undue delay in obligating the funds, and there are natural procedural problems or delays that have been created in each of the projects. I would be glad to talk about any of them individually or specifically.

EXTRAORDINARY COSTS: MIAMI

Senator CHILES. Rather than take the committee's time right now, I do want to submit a question to you in writing on the three cities, Jacksonville and Miami and the planning money for Orlando. I will get an answer to that.

Funds amounting to $12.5 million of the $35 million that was earmarked for Miami under the 1984 New Start Program were intended to close out phase 1 of the Metrorail program. While I know this amount would be above the full-funding contract, attachment 1 of the full-funding contract indicated that certain changes are expected to be made throughout the life of the contract.

Mr. Stanley, as you know, the county has incurred $12.2 million of additional costs as a result of establishing new quality assurance programs associated with the construction programs that did occur in Miami.

Those were unexpected costs and would seem to fall within the category of changes that one would expect to be made in full-funding contracts.

What is your advice to Dade County on how to finalize Federal funding for phase 1 of Metrorail?

Mr. STANLEY. We have met with Dade County numerous times with regard to the construction costs necessary to finish phase 1 of the Metrorail. They indicated initially to me a total of about $25 million in cost overruns. We are continuing negotiating with them as to what is eligible under the extraordinary cost clause of the contract, specifically with regard to the quality assurance-quality control program that has been implemented. I would point out those programs have been implemented as a result of an Inspector General (IG) report by the Department and recommendations that have been made by an independent consultant that we hired in the wake of some serious construction deficiencies that arose in Miami. We normally expect that kind of quality assurance and quality control to be part of the construction program from the onset of the project. I wouldn't say it is adequate to describe those quality assurance procedures as extraordinary or imposed by UMTA. They were imposed as a result of the IG's report and our independent consultant concerns about the construction deficiencies. And we have met with them, most recently 2 weeks ago, to try to quantify the costs that are going to be necessary in order to correct some of the existing deficiencies on phase 1 and open it on time in July 1984. Those numbers are still being negotiated.

Senator CHILES. You do not have any further numbers, the numbers are not clear?

Mr. STANLEY. Those are not final yet. I would point out we have spent well over $1½ million out of other than the full-funding contract on the Morrison & Knudsen firm which has been down there at UMTA's behest as our construction management and oversight consultant.

Senator CHILES. Mr. Chairman, I have some other questions. I will submit those.

FULL-FUNDING CONTRACTS

Senator ANDREWS. We will be glad to have them in the record.

Mr. Administrator, what is the Administration's position on full-funding contracts? Can you elaborate on their current thinking or their latest position?

Mr. STANLEY. The current position of the Administration is that a full-funding contract is a commitment from the Federal Government to fund a given part of the project. We go through negotiations from systems planning to alternatives analysis to a decision to give a project some section 3 funding. Subsequent to that decision and the obligation of the funds, we enter into a contract. It is a bilateral contract between the Federal Government and the property. It is my hope that that contract will state very clearly the obligations incurred by both the property and the Federal Government, state a sum certain as to the level of Federal assistance to be provided for the project, and that the property is expected to complete the construction of that project or that segment identified within the ceiling of those funds.

We allow for some extraordinary costs. I think the full-funding contract has been a mechanism that we have used and has helped us in disciplining some costs and has helped the local property in terms of forcing them to come up with accurate construction estimates that are binding upon them.

Senator ANDREWS. Thank you very much. I will turn the hearing over to Senator D'Amato who has a great deal of knowledge on this.

Senator D'AMATO. Thank you very much, Mr. Chairman.

Senator ANDREWS. Incidentally, Senator, we have some letters, we have some other questions by the Senators that we want to put in the record, of course, of any new development.

Senator D'AMATO. Mr. Chairman, I appreciate your strong support for mass transit and in particular your understanding of the unique problems that those of us have in the large urban centers.

You have truly been a friend of urban mass transit, and it is a pleasure and delight for me to have the opportunity to serve on this committee and work with you.

We in New York and in urban centers throughout America are deeply appreciative of your leadership.

Senator ANDREWS. Thank you, Senator.

PROBLEMS WITH NYCTA BUSES

Senator D'AMATO. I would like to also say that I am delighted to welcome Ralph Stanley, an able young man who is the Administrator of the Urban Mass Transportation Administration. Although he has only been with UMTA for a short period of time, he has demonstrated a keen sensitivity and interest in the crucial role which mass transit plays in many of our urban and rural communities.

I ask that the balance of my remarks be inserted into the record as if read in their entirety in order to save some time, but I do have a number of questions that are important.

In February of this year the New York City Transit Authority pulled about 850 Grumman Flxible Model 870 buses from the streets of New York City.

To say that there was consternation, surprise by some, applause by others, et cetera, would be an understatement. The transit authority cited serious safety problems with the buses which were purchased for approximately $90 million in 1979. The transit authority has now totally removed the buses from service.

Since UMTA grants were involved in the acquisition of these advanced design buses, what steps have been taken by UMTA with respect to this problem and what is UMTA's position regarding the action taken by the transit authority?

Mr. STANLEY. I first said that we were extremely surprised by the action of the New York City Transit Authority. I found out about the decision to remove the Grumman buses from the streets in the New York Times. We went up to New York 3 days later to meet with the officials as to the reasons why not only the decision was made to remove

them from the streets, but also why the decision was made concurrently to permanently keep them out of service. We have notified the New York City Transit Authority by telegram that the conditions of the grant continue to apply; namely, that since 80 percent of the Federal funds were used in the purchase of those buses, that we would consider our investment as one we would like to protect and that we feel that they owe us a negotiated amount, be it on a straight line depreciation or value of the buses.

I would say that we are disturbed about the precipitousness of New York's action. I have since learned some of the reasons why. One point I would make is under a recent ruling by the Controller General. An accommodation that was formally reached with New York City with regard to some rail car purchases, which also were deemed by New York City to be faulty, can't be replicated in this instance; namely, we can't transfer our interest, which is at a level of about $70 million at the time of purchase, to any new buses. My understanding is that New York City plans to purchase some new buses with local and State funds entirely and there have been some discussions about the possibility of litigation against Grumman and/or Flxible, but no final decision has been reached to date on that.

INSPECTION OF FLXIBLE BUSES

Senator D'AMATO. I understand that you have sent a team of inspectors to examine these buses, is that true?

Mr. STANLEY. We did. Any time you take a number of buses out of service from a specific manufacturer and make a decision at the same time never to return them to service, there are implications, not just for the area and the region, but nationwide of other properties who purchase the same buses. Our concern was that New York City stated its conclusion that those buses were not only faulty but couldn't be corrected. We sent a team of inspectors up there who did a cursory look at the buses and the problems within some of them. We also contacted other properties as soon as we could to see if they were experiencing any of the similar problems. And to date, although the history of the difficulties with that particular make and model of bus are fairly well known, they are in operation in a number of other properties.

Grumman Flxible has provided some services to correct design defects, but we have not to date found any national problem with the buses of the same age that are in different fleets.

Senator D'AMATO. What conclusions can be made then as a result of those inspections? Was the removal of those buses precipitous?

Mr. STANLEY. I think it was a precipitous action. The concern I have is, to my knowledge, neither the Congress nor UMTA were consulted by New York. I have made the point to the officials in New York in the meeting we had if they had reached a conclusion that those were not to be returned to service, I inquired why they didn't inform UMTA and Congress that that was their conclusion, remove the buses from service, provide us a period of time of 1 or 2 months to go up together

and inspect and confirm the deficiencies that they indicated, and then jointly make the decision at the end of that period, or however long it took, not to return them to the streets. It would have reached the same objective.

The other point is that we have asked the MTA Board to deal with the issue of how they intend to honor their obligation under the grant agreement to the Federal Government which exists as a condition of the purchase of those buses.

RESULTS OF BUS INSPECTION

Senator D'AMATO. With respect to the condition of the buses in New York, have you completed your inspection?

Mr. STANLEY. We have not completed an inspection of each of the buses in the fleet. If I could, I would ask Deputy Administrator DelliBovi, who sent a group from the regional office as well, to respond.

Mr. DELLIBOVI. Senator, we sent inspection teams to the transit authority property to the pier where the buses are located on two occasions. The first was a general inspection. During that inspection, we were unable to see the buses that had been highlighted in the media because with 800 buses on a pier in Brooklyn they couldn't seem to find the one that had been fire damaged.

Senator D'AMATO. Are you saying that when you went to see the bus, they would not make it available to you?

Mr. DELLIBOVI. They had a logistical difficulty because the ones with the most severe problems were apparently in the midst of this 800.

So we went back 1 week later and they managed to pull out the two buses in question. Our team looked them over and concluded, confirmed, what the MTA had already reported subsequent to the fire, that the bus was damaged by fire, but the fire was ultimately the result of faulty maintenance on that particular vehicle.

Senator D'AMATO. Faulty maintenance?

Mr. DELLIBOVI. Faulty maintenance procedures, yes.

Senator D'AMATO. I did not read that in the beginning. I just read how dangerous this bus was and how they had to pull them all off the streets. No one talked about faulty maintenance.

That is like the situation when a person is publicly accused of an improper act, subsequently vindicated, but the vindication ends up on page 26 in the little print.

Mr. DELLIBOVI. It was in a Saturday edition, I might add, about 10 days after the fire.

Senator D'AMATO. Are you saying to this committee, that the MTA and your inspectors verified that the reason for the fire on that bus was due to faulty maintenance?

Mr. DELLIBOVI. That is what the indications were to engineers and the MTA. The president of the transit authority reported that to his board subsequently the cracks did exist on buses.

More recently we have gone to other properties in the New York area, specifically to five properties in Queens County which have the identical bus. They were purchased at the same time as part of the same order. Our team found that those buses are still in operation. They are in service. They are being maintained. They are not encountering the same type of problems, but our engineers believe that is because there is a very efficient and proper preventive maintenance program in place on those properties. I would like also to point out that the unions representing those properties are the same. So it is not a question of the quality of the work force there or the work rules. They have virtually the same contracts.

The fact is that we have found in Queens County that those buses were able to operate and, as you may know, Senator, the streets in Queens are probably among the worst in New York City, so the operating conditions that those buses experience are just as bad as the transit authority buses. Nevertheless, those buses are operating. They are functioning. And they are able to pull them out of the garages on time daily and use them.

FLXIBLE BUSES: CRACKS

Senator D'AMATO. Let me ask you, you did ascertain that there are cracks and what not on these buses, but are they repairable? If they cannot be repaired do they constitute an eminent danger? What about the deficiencies that do exist? Admittedly there are some, is that correct?

Mr. DELLIBOVI. Cracks develop with these buses. When they develop they can be repaired. The manufacturer, Grumman, and now the successor manufacturer, Flxible, have worked with these private operators in Queens. They maintain that they can fix these buses. They maintain they are able to anticipate the problems. Part of the cracking problem is related to the A-frame trunnion, which we have heard a great deal about, and apparently there is a bushing within there that can be replaced. And early on you can inspect the bus, as part of your normal, routine maintenance, detect when the vibrations will reach a certain point, replace this bushing and continue to operate the bus. The buses clearly require a little bit more attention than might be hoped for but they do not, at least in Queens County, require that they be pulled from service.

Senator D'AMATO. What is the bottom line on this whole thing? If we have a situation where you are saying that those buses could have been operating and that they have been pulled precipitously, then isn't the Federal Government going to demand repayment from the Metropolitan Transit Authority? Is that correct?

Mr. STANLEY. Those are the conditions of the grant agreement.

Senator D'AMATO. Is that true?

Mr. STANLEY. We have notified them of their obligation under the existing grant agreement.

Senator D'AMATO. Have you notified them, and what is the status of that notification?

Mr. STANLEY. We have not had a response from them to date with regard to how they intend to honor that obligation.

I would point out the bottom line, I think, is that the very questions that are being asked this morning are ones I think should have been asked prior to the decision to pull them out of service permanently. Even if they were removed from service on an interim basis, we simply didn't have, and I have not been assured yet, that the New York City Transit Authority had the basis to make that fleetwide determination that they were so deficient that they couldn't be corrected if maintenance were improved and so defective that those buses couldn't be repaired. And that conclusion should have been one that involved Congress and UMTA.

NOTIFYING OFFICIALS OF SERVICE WITHDRAWAL

Senator D'AMATO. I am taken aback. I want you to know that. I just said to my staff here that I find it incredible that this action was taken in quite the manner that it was.

Have you notified the mayor and the Governor about this?

Mr. STANLEY. We have not yet. There have been discussions with the Governor's office.

Senator D'AMATO. Let me suggest to you that the same notification and concerns that you have described have arisen as a result of the MTA's contractual obligations to the Federal Government under the conditions of its UMTA grant. I think it is important that the elected officials in the city and the State receive notice, because obviously if we are going to talk about dollars that may or may not be due and owing to the Federal Government, they should be put on notice as well as Chairman Kiley.

Mr. STANLEY. We will do that today.

Senator D'AMATO. I have to tell you that I was absolutely unaware of the fact that the problem with the Flxible bus came about as a result of faulty maintenance. I say to you that most New Yorkers are probably in that same position.

We were led to believe, by splashing headlines and television accounts and everything else, that these buses were inherently dangerous and should be removed from the streets. People were told that they were lucky their lives were saved by the quick action of the bus driver who pulled the burning bus over to the side of the road, and so forth.

That is the impression I was left with until for the first time you have disspelled it with what you have indicated today.

You will then inform the Governor?

Mr. STANLEY. We will do that.

Senator D'AMATO. The mayor is going to be down here today, by the way, to meet with a congressional delegation. I think you should provide him with a notice and perhaps have someone there to discuss it with him.

Mr. STANLEY. We will do that today.

Mr. DELLIBOVI. Senator, it is also important to note that the State of New York which has provided the local match for these buses has similar provisions in their grant contract, and they have similarly notified the transit authority that the State portion of the funds would also have to be accounted for just as the Federal one.

TRACK INSPECTIONS

Senator D'AMATO. On Monday the Federal Railroad Administration began an inspection of the subway tracks in New York City.

How is that study being funded?

Mr. STANLEY. The New York City Transit Authority is paying us approximately $50,000 for the services of nine track inspectors who will be there for approximately 2 to 3 weeks. They will be reviewing the inspection procedures that are currently in place, analyzing selected segments of track within the system due to the recent rash of derailments, and providing some recommendations to the New York City Transit Authority to help it do its track inspection job better.

Senator D'AMATO. What are the applicable Federal standards that are involved in an inspection of this nature and what standard is New York City being measured against?

Mr. STANLEY. The nine inspectors that are there are from the Federal Railroad Administration, and there are applicable standards that would go to interstate rail systems. There are no standards that are specific to intercity transit systems. They are using the kinds of track gauge measurement and visual walking inspections of those segments of track I mentioned earlier in assessing the New York City system as if it were a rail system.

Senator D'AMATO. Of course, this is a 710-mile system, so do you have a timetable for completion of that inspection?

Mr. STANLEY. We have negotiated with the transit authority on 32 selected segments, which will be about 100 miles in cumulative length, that we would be able to inspect over a period of about 2 weeks. It is an extraordinary act and we do not do it as a matter of course but, again, given Secretary Dole's interest in safety and recent derailments that have occurred up there and concerns expressed to us by the MTA about this very problem, we were able to provide them with the inspectors from FRA.

BUFFALO STARTUP COSTS

Senator D'AMATO. In the fiscal year 1984 Transportation appropriations bill, this subcommittee designated $2 million of discretionary capital funds under the new-start category for startup cost for the Buffalo Light Rail Transit System.

What is the status of that application for startup funds?

Mr. STANLEY. We have met twice with officials from the area in Buffalo with regard to how that $2 million is going to be applied. Their initial request to us was for $6 million in startup costs. We have negotiated with them to make sure that the items included are within the $2 million ceiling and also are really startup costs. The initial meet-

ing we had indicated that they were interested in covering some costs related to publicity and that weren't integral to the startup of the system. If I could get a comment from Deputy Administrator DelliBovi who has met with them most recently.

Mr. DELLIBOVI. On Friday, Senator, in the regional office, I reviewed the application with staff. We identified from their requests $2 million of costs that are eligible for UMTA funding, and I have instructed the regional staff to expedite the processing of that package.

Senator D'AMATO. So you anticipate then that those hurdles will be cleared and that those moneys will be available?

Mr. STANLEY. I believe certainly by the end of the month those funds will be made available to Buffalo.

BUFFALO NEW START RANKING

Senator D'AMATO. Let me, if I might, staying on the Buffalo situation, refer to an article that I read in the New York Times which I think was mentioned by Chairman Andrews. It concerns possible ratings of projects with respect to development of criteria for new starts. The article was written by Robert D. Hershey, Jr., and was published April 1, 1984.

As it relates to Buffalo with respect to the extension or the continuation of its light rail system, have you developed criteria sufficient to give you an indication as to what the ranking of Buffalo would be and whether or not it would be eligible for funding?

Mr. STANLEY. We are close to finalizing the criteria. That article indicated, I think a direct quote from me, that Buffalo was "not in the top group."

Buffalo is close to completing the first segment of that project and they are now discussing various alternatives for extensions of the project. There are two corridors they are considering. The bottom line is that it would be premature to make any judgment with regard to further extensions of the Buffalo project until the alternatives analysis and the data is generated.

My intention by saying they weren't in the top group was to say that they weren't ready yet to be rated because they were at a lower stage in the planning process.

Senator D'AMATO. In the rating, in terms of cost effectiveness, which is obviously one of the considerations, the numbers of people moved, et cetera, will consideration be given to the amount of Federal dollars already invested? Will UMTA seek to protect that Federal investment and assure that the new system can be a viable one?

Mr. STANLEY. I think the ratings that we have applied are specifically addressed to new construction or extensions. We have tried to treat everybody equally such that a city such as Atlanta that is interested in extending a system that has been under construction for 12 years or so, or any major extension of that would be judged under the same criteria as a city such as Los Angeles which is interested in beginning a transit system.

Senator D'AMATO. Of course this committee understands, and we know you understand, that everyone wants to be treated equally but some want to be treated more equally. That is an old adage that continues to persist.

Do you want to respond to that?

Mr. STANLEY. My frustration is not just some but all would like to be treated more equally.

TRANSIT CRIME

Senator D'AMATO. Obviously we know that simply cannot be done.

On the 18th of January I chaired a subcommittee hearing in which you participated in New York City to examine the problems of transit crime and the impact that it has on our major rail systems.

In New York, in particular, it is devastating and I cannot help but feel, particularly in the off-peak hours, that fear of crime has a detrimental impact on ridership. People who would otherwise be using mass transit simply do not use the transit systems unless it is absolutely necessary.

You testified that you would support a greater emphasis for safety and security within section 6, which provides funding for research, training, and human resources. Section 6 could be used to fund grants not only for New York's transit system, but for other transit properties to undertake pilot programs, such as the use of canine corps, parabolic mirrors, vandal resistant lighting, et cetera. These kinds of items can play a strong part in helping to reduce transit crime.

In the 1984 UMTA budget you were provided $54.8 million for section 6 and the Appropriations Committee earmarked $2.8 million for safety and security.

My concern is that the 1985 UMTA budget recommends only $44.8 million for section 6. We had discussed at the New York City hearing increasing the funding for safety and security, et cetera, in the area of $10 million.

Can that be accomplished? How would it be accomplished considering that $10 million was cut in section 6?

Mr. STANLEY. The $10 million cut in section 6 is exclusively the result of the administration's desire not to support a particular program known as AGRT which was funded in past years at approximately a level of $10 million annually.

We did not proportionately reduce other categories, in making that reduction in section 6 which includes funds available for security and transit crime. And, indeed, in the 1985 budget proposal I have asked for more flexibility within that account so that we can raise the level of funds that we have provided in past years to fund those kinds of pilot projects.

Senator D'AMATO. So then is the committee safe in assuming that the scope of funding for safety and security will be in the area of about $10 million?

Mr. STANLEY. Within transit, with regard to the AGRT project, which is a $10 million funding level, we would prefer not to fund any of that,

but we would significantly increase, I would hope, not just in fiscal year 1984 but in fiscal year 1985, the amount of funds from that $44.8 million provided that would go into transit security and crime and those kinds of pilot projects.

I would have to take a look at the kinds of applications that we get prior to making any cumulative judgment on the total funds that we would apply.

Senator D'AMATO. Senator Eagleton.

NEW YORK TIMES ARTICLE

Senator EAGLETON. Thank you. I appreciate your courtesy very much. I have really one question but I have a bit of a lead-in to that question, if I may, Mr. Stanley.

I understand that you are going out to St. Louis sometime in the future to take a look at the St. Louis Light Rail System. It is our hope, indeed our expectation, that you will be impressed with it. When I say "our," I mean virtually the entire Missouri and Illinois congressional delegation which has supported it.

We have no doubt in our minds that this project will be a catalyst for substantial new development in the bi-State area, and that brings me to the area of my concern about which I would like to ask a question.

In that same New York Times article to which Senator D'Amato referred and apparently earlier on in the session Senator Andrews, you seemed to indicate that the thriving and growing Sun Belt cities should have the inside track on obtaining new start funding.

The logic of your position would suggest that there may be something of a Catch 22 involved here. For instance, the depressed cities of the Southeast and Midwest which are losing population and industry don't really need brand new transit systems; the money should go instead to cities with growing populations and growing need for ways of moving people around.

But unless the so-called "Rust Bowl" cities begin to rebuild their decaying intrastructure and I put modern transit high on the list, there is absolutely no hope that they will be able to arrest the decline in both industry and in population.

From this point of view I think it could be argued that the troubled cities of the Midwest and Northeast are most in need of mass transit funding and would derive the greatest benefit from such funding.

So my question is, where in your soon-to-be-developed criteria does the factor of economic development stand?

Mr. STANLEY. First, if I might comment, I guess my lesson from this hearing is not to talk to the New York Times again, but I didn't indicate that we were favoring as a result of the policy Sun Belt cities over Midwest or Northeast cities. That was a reflection, that if you look at the backup or the demand of requests in various cities that we know are in some stage of planning or are on the verge of construction, and just look at the locations of those cities, it is easy to deduce from that list that, yes, the Sun Belt areas are the ones that are most interested in

the funding comparatively. With regard to economic development that has been cited quite often as a reason for beginning construction of other major transportation system investments, we believe that the cost-effectiveness rating that we are currently developing takes that into account a bit.

NEW START-ECONOMIC DEVELOPMENT IMPACTS

Senator EAGLETON. Did you say a bit?

Mr. STANLEY. It will take the private sector development into account. To the extent that that development is dedicated to that project, I do not believe that the record indicates that the development occurs as a direct cause of the construction of that project nor do I think that economic development in itself should be the prime factor for building a project with a level of investment of $300 to $400 million.

I have said in the past, and I continue to believe, that there is an ancillary benefit that occurs as a result of the construction of some of these systems. I think that is a gamble. I think it is a gamble that the Federal Government should take only if that gamble is taken at the local level. Let me indicate a couple of mechanisms we have discussed with other cities. I believe it is accurate to say to a city that comes to the Federal Government or to Congress, to say that they are interested in a major transportation system for the reason that it will spur economic development, to say at the outset that if that economic development is to occur we would like you to establish, and set in place, value recapture mechanisms with those same developers, those same commercial entities that are actively encouraging and are actively planning this kind of a system. And if those entities will bet their cash with the Federal Government in that investment, I think that is a way to sort out hoped for economic development from actual economic development.

Let me cite one example. We have done a study of the Washington metropolitan area, which everyone in this room is familiar with, with regard to the commercial development that has occurred at and around the Metro stations. That study concluded, although not all because of metro directly, that 52 percent of the commercial development in Washington occurred at or around Metro stations, that is 2 billion dollars' worth of commercial development. As the committee knows and UMTA is keenly aware, the WMATA system is now desperately in need of funding to complete that system.

My point has been that before we begin the systems, if that commercial development is to occur, the Federal Government should ask and find out directly whether or not those commercial entities are willing to put those value recapture mechanisms in place. My point, and it is a bit of hindsight, to the Washington metropolitan system has been, you have caused that economic development to occur in some places. At the outset, prior to the construction of the system and prior to the location of that station, that kind of value recapture mechanism, if they were on an annual basis capturing just part of the increased property values that resulted from the development of that system, I think their operating

deficit and their capital needs and demands on the Federal Government would be much less.

VALUE RECAPTURE

Senator EAGLETON. Insofar as UMTA is concerned, is there precedent for this value recapture system, is it in place somewhere under the aegis of UMTA?

Mr. STANLEY. There is that precedent. Los Angeles has negotiated special benefit assessment districts on stations that are planned but unbuilt. This is before the approval of Federal funding in certain locations. You say to the developer at the commercial location, that we are going to bring people here on a regular basis; therefore, you pay to construct the station and maintain it. They have done that with local user charges.

If I could, Senator, let Jim Lowrey, who has been our investment consultant, mention a couple of the other mechanisms that other cities have looked into.

Mr. LOWREY. Besides the value-added mechanism in taking a very small area with respect to enhancement value, you can go into a larger area and say that it is going to be a special assessment district and you can identify economic transactions where there could be a sales tax, or you can spread some kind of an ad valorem tax over a much greater base.

In the first instance it is always easier to deal with developers face to face because they are just looking at the bottom line. They know they can make a buck after subsidizing the station. And if that dollar is a great enough return on their investment capital, they are all for it. And a lot of times it is much easier to go right to the private sector. When you are talking about commercial buildings, you are talking about a significant impact on the tax base. It is easier to do that than maybe go to the voters.

Also with respect to, let us say, the metropolitan area in whole or, let us say, a specific downtown area, it is possible to get consulting feasibility studies done where one can project the value added in terms of gross national product and revenues in and revenues out.

The price curve, the elasticity of the price curve because of the convenience with the transportation system and so forth might warrant a 1-percent increase in the sales tax and it might also warrant that the downtown association agree to some kind of special assessment or gross revenue tax receipt or so forth.

I think that one point Mr. Stanley has been trying to make and I think that one of our primary functions in helping him to reach determinations is that if the pie is limited, which I am told it is since there is only so much money that UMTA has, how can these resources be allocated in such a way that the Federal Government can get a geometric return on the input? One of the ways we are looking at is to relieve the burden of future subsidies, trying to ensure that a stable revenue source will be available over some period of time in the future and also be a method by which communities become more informed as to what their alternatives are and what their obligations are going to be.

LOCAL FUNDING SOURCE CONDITIONS

Senator EAGLETON. Mr. Stanley, I am beyond my time, but I want to get this clear. Do you plan to impose as a contingency, as a condition, one of these various value recapture mechanisms you described as a condition of making a grant to all of the cities that are before this committee?

Mr. STANLEY. We believe that for the use of the section 3 funding that is available for new starts and new construction, that in evaluating those proposals, that is one of the methods by which a city can improve its cost effectiveness. I believe and the Administration believes with regard to these investments that, to the extent we are willing to make them, we will make them in those cities where there are those kinds of local funding mechanisms in place so that 2 years from now, 3 years from now, there is some assurance that there is a stable capital source at the local level.

Senator EAGLETON. Suppose there is already in place a source of revenue that is going to be dedicated to the proposed transit system?

Mr. STANLEY. One of the other exercises that Mr. Lowrey's firm has conducted is taking a look at each of those sources, how much revenue they raise, what the current use of that revenue is, how stable that source is, and what kind of capital base we feel that will provide.

If I could, by-way of example, just mention the MARTA project in Atlanta. Atlanta has a 1-cent sales tax which has been in place for a number of years. It raises a predictable amount of money. The MARTA board has bonding authority. They have bonded successfully against that. The sales tax is in place until 2021. And looking at the investment in Atlanta from a financial perspective, that is a stable kind of local source.

Other cities have a sales tax in place that may last for 1 or 2 years and if the tax is being dedicated to the current transit system and when the current transit system is running an operating deficit, you can only spend that kind of money once. Our concern is that not only is there a funding source, but how much does it raise, what are other demands on it, and how long is it going to be in place?

Senator EAGLETON. Thank you, Mr. Stanley. Thank you, Senator D'Amato.

MATCHING FUNDS FOR NEW STARTS

Senator D'AMATO. Mr. Stanley, this committee in its report language accompanying the fiscal year 1984 Transportation appropriations bill stated that the 50 percent matching goals for new starts could not be funded from sources other than section 3, such as section 9 or interstate transfer funds which are more appropriately used for other purposes.

Under the new-start criteria being developed by UMTA, are you considering requiring the use of section 9 funds for a new-start project as part of a local funding effort?

Mr. STANLEY. No; we still judge the percentage of what the local funding effort is on non-Federal sources. There are a number of cities that are using their section 9 funds for their new-start projects, but we still judge it based on non-Federal funding sources.

Senator D'AMATO. Let me ask you, are you concerned that the use of section 9 funds to fund new-start projects would create future year pressures to make sizable formula fund increases?

Mr. STANLEY. Yes; that is a concern. And while we consider that section 9 funds going out on a formula basis are those that are to be used at the discretion of the grantee, we are very concerned. It is one of the reasons that we have reviewed all of the section 3 demands to make sure that those areas dedicating section 9 funding to new start projects are not deferring normal section 9 needs, such as normal bus purchase needs with existing transit systems, on the hope that they will then get a section 3 grant, and that one is not a substitute for the other.

Senator D'AMATO. Do you intend to promulgate any rules in that area or do you think that just your broad policy statement in this will be sufficient?

Mr. STANLEY. We have a circular which has been distributed to all of the grantees on the uses of section 9 which points that out emphatically. To the extent we picked that up in review of each of their grant applications as they come in in any given year, we will enforce that provision.

LABOR PROTECTION CHANGES

Senator D'AMATO. Are there any changes presently being studied at UMTA for the section 13(c) labor protection provisions of the UMTA Act?

Mr. STANLEY. We have had over the past few years a number of discussions with the Department of Labor. I have met with officials of the Department of Labor on the issue. I haven't had a meeting with them recently. We continue to look for ways to make sure that the 13(c) provision operates as efficiently as possible.

Again, as I indicated in my confirmation hearing, any proposed changes that we would have, either administratively or suggestions of changes in the law, we would consult with the committee prior to introducing.

SUBMITTED QUESTIONS

Senator D'AMATO. Very good. I think that is most important so that if it does take place I think your advice to the committee before we get into a real donnybrook would be very much appreciated and expected.

We have some additional questions for the record which I will submit to the Committee.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

REPROGRAMMING REQUEST

SENATOR ANDREWS: If UMTA has difficulty in meeting Congressional direction, when do you expect to send a reprogramming request to the Committee? What areas do you foresee that the reprogramming request will cover -- New Starts or interstate substitutions?

SENATOR ANDREWS: On what basis is UMTA considering a reprogramming request? The Appropriations Committee provided guidance on reprogramming the FY 1984 earmarks. The conferees expected "...any excess discretionary New Start funds (would be) reprogrammed into the rail modernization activity." In the interstate transfer program, the conferees expected that adjustments due to delays in projects might necessitate reprogramming.

SENATOR ANDREWS: Does the Administration expect to make reprogramming requests based on these criteria or on other criteria? If on other criteria, please tell the Committee what those reasons are and why you would use them rather than those provided.

ANSWER: As Administrator Stanley testified during the hearing on April 11, 1984, it is UMTA's intention to meet the Congressional earmarks provided for the interstate substitute program and the New Start program. Thus the above questions on reprogramming are moot.

MASS TRANSIT ACCOUNT

SENATOR ANDREWS: The Administration has described its request for the Section 3 program as a "pay as you go" position. Yet recent testimony by the Congressional Budget Office (CBO) suggests that the one-cent transit tax is bringing in more money for Section 3 than is being requested. Could you please comment on the financial health of the transit trust fund?

ANSWER: The financial health of the fund is excellent with revenues currently exceeding cash disbursements. While the cash balance of the fund is expected to increase through FY 1989 at the current authorization level of $1.1 billion, the cash balance is currently fully committed. It will not be until FY 1986 that cummulative revenues will exceed outstanding authorizations. Our fund management policy of maintaining authorizations consistent with revenues assures that sufficient cash will always be available to liquidate outstanding commitments.

SENATOR ANDREWS: By your projections, when could you (if you could) support a higher Section 3 authorization?

ANSWER: We believe it is more prudent to wait until the spring of 1965 before addressing increased authorizations against the Mass Transit Account. At that time, we will address future program authorizations for FY 1987 and beyond in our formual legislative proposals.

SENATOR ANDREWS: What were OMB's proposed numbers for these activities within Discretionary Grants?

ANSWER: OMB's initial allowance on UMTA's FY 1985 budget are very similiar to those shown in the budget. Those program levels within Discretionary Grants are as follows:

	FY 1985 (In millions of dollars)
Bus and Bus - Related	$ 100
Rail Modernization	550
Fixed Guideway New Starts and Extensions	370
Other	80
Total - Discretionary Grants	$1,100

Subsequent negotiations between OMB and the Department resulted in the funding distribution contained in UMTA's FY 1985 Budget Submission to Congress.

MAJOR INVESTMENT POLICY STATEMENT

SENATOR ANDREWS: When does the new start criteria become public? How will UMTA make the contents of its new start criteria available to the public? Will the criteria and the proposed ranking system be subject to public review and comment?

ANSWER: UMTA intends to publish a major capital investment policy statement, containing evaluation criteria and a description of the rating system, in the Federal Register in May. Prior to that publication, we will discuss the statement with congressional committees and public interest groups.

FUNDING GOAL

SENATOR ANDREWS: In last year's report, this Committee directed UMTA to work toward establishing a funding goal, whereby 50 percent of the total cost of a new start proposal should be met from funding sources other than Section 3. What has UMTA done in this area since the Committee's report?

ANSWER: UMTA, in implementing its new start rating system, credits any level of local fiscal effort which results in an overmatch of the required 25 percent local share. This is an inducement to local authorities to approximate the 50 percent goal.

MAXIMIZATION OF LOCAL MATCH

SENATOR ANDREWS: Applications for New Starts contain a variety of methods for contributing the local share of construction, including, sales taxes, special assessments, selling development space, and bonding. How can this Committee and how does UMTA know that each applicant has exhausted the total local match available? In other words, why, if a project is worthwhile, does a local area not float a bond to support it? Why, if economic and urban development is supposed to boom, doesn't the local authority propose selling development rights, or air space, or assessing so many additional mills per adjacent parcel?

ANSWER: Each application for New Start federal funding should include as much "overmatch" (local fiscal effort) as possible since UMTA's ranking system (cost-effectiveness index) gives credit for additional financial local share participation. This decision to increase the local share percentage is, however, a state and local decision. Some transit operators, local units of government, and their states have placed a high financial priority on their proposed New Start projects. This has resulted in the establishment of stable and reliable funding sources dedicated to transit purposes that are bondable. (Other New Start projects are dependent on annual

revenue appropriations). Some of these financing efforts have also included value capture techniques through the sale of development rights, special assessment districts, etc. that directly benefit the private sector, as is proposed in Los Angeles by SCRTD. However, most transit operators do not consider themselves as a "development agency" and leave these activities to the local city and/or redevelopment authority. These development entities may have goals and objectives which may directly conflict with the goals and objectives of the transit agency. UMTA's rating system gives credit for all such local fiscal efforts which are real and committed.

MATCHING GOAL

SENATOR ANDREWS: Does the administration believe that working towards a fifty percent goal violates any agreements in letter or principle that put the federal, local match at 75:25 in the Surface Transportation Assistance Act of 1982?

ANSWER: No, the fifty percent goal does not conflict with the local share provision of the Surface Transportation Assistance Act of 1982 (STAA), because the two ratios apply to different concepts. The 25 percent local match in the STAA applies to a Federal project. The fifty percent goal applies to an entire transportation undertaking, of which a Federal project may be a part. While UMTA is working towards a fifty percent goal for entire transportation undertakings, it will still provide 75 percent of the funding of any Federal project within those undertakings, thereby meeting the requirements of the STAA.

SECTION 3 FUNDS AVAILABILITY

SENATOR ANDREWS: When were the Section 3 Discretionary funds made available to transit authorities? Specifically, on what date were the FY 1984 bus related funds available for obligation, when were the rail modernization funds made available, and when were the new start funds made available? Were all the funds provided in the FY 1984 appropriations act made available on the above dates or were some funds withheld? If there were some funds not made available please provide the committee a listing by program of funds not made available and the reasons why.

ANSWER: To date, a total of $103.2 million in FY 1984 Section 3 Discretionary funds has been made available to transit authorities. These funds were obligated in November and December, 1983 and March 1984. The funds were released on as needed basis for on-going projects and involved one new start and three rail modernization projects. The remaining $1,036.8 million ($396.1 million - New starts; $445.7 million - Rail Modernization, $195.0 million-Bus and Bus Related) will be released as soon as we finalize our resource allocation plan for the Discretionary program.

FINANCIAL REVIEW

SENATOR ANDREWS: Please provide a comparison on fiscal year 1983, 1984 and 1985, of the in-house resources versus the outside services employed in financial review.

ANSWER: Financial analyses have been and continue to be an integral aspect of all UMTA reviews of major new investments. Each project development phase, such as alternatives analyses and

preliminary engineering, addresses the stability and reliability of local funding sources and the financial impacts of New Start proposals. While a number of UMTA staff members are involved in project reviews, it is not possible to identify the discrete time which they spend on just the financial aspect of the reviews. Similiarly, where outside resources are used to assist UMTA staff in project reviews, there too, it is difficult to identify just that time spent on the financial review portion. However, the rapidly increasing new starts case load and associated demand for limited financial resources has led UMTA to consider outside consultants that are particularly capable in financial analysis. To date, UMTA has contracted only with one firm, J. J. Lowrey, but is currently negotiating with two or three other firms with similiar financial expertise. Our experience in FY 1984 will determine the extent to which we will utilize such contractors in the future.

FINANCIAL CONSULTANT HELP

SENATOR ANDREWS: Would it be advisable for UMTA to rely on or employ the services of outside financial consultants to review new start funding proposals (Like Morgan Stanley or Dillon, Read and Company)?

ANSWER: In the near term, consultant help could aid UMTA in reviewing New Start funding proposals. In the mid to long term, technical guidance will be developed to provide the needed financial data for UMTA staff evaluations during the Alternatives Analysis and Preliminary Engineering phases of the UMTA New Start project development process.

FINANCIAL RATING OF NEW STARTS

SENATOR ANDREWS: Could this Committee or UMTA expect the outside financial services to rate a project similar to ratings provided by Moody's and Standard and Poor's?

ANSWER: UMTA has commissioned the services of James J. Lowery and Co. to assess the availability of local capital and operating funding included within overall New Start funding packages. Many issues are associated with this analysis which may allow the development of a rating similar to Moody's and Standard and Poor's. Some of the issues to be assessed include:

- the overall economic health of the transit agency,
- the overall economic health of the affected local units of government,
- the volatility of local share funding sources (dedicated and non-dedicated),
- the impact of inflation, unemployment, local appropriation processes, administrative procedures, etc. on local funding sources, and
- other potential transit funding sources.

TRANSIT AUTHORITIES OUT-YEAR PROJECTIONS

SENATOR ANDREWS: In providing out-year funding schedules, how accurate have transit authorities been in projecting out-year needs?

ANSWER: The accuracy of the local funding projections is a function of the stage or level of detail of project development. Projections become increasingly more accurate as the proposed project moves from the system planning stage to alternatives analyses, then to preliminary engineering and, lastly, to the final design stage.

RECOMMEND OUT-YEAR FUNDING CONTRACTS

SENATOR ANDREWS: Based on the (admittedly) limited sample, is it advisable for UMTA to be entering into, or for the Committee to be recommending, out-year funding contracts?

ANSWER: We have found full funding contracts to be advantageous to the Federal Government because they set forth the maximum amount of Federal assistance and the grantee's agreement to complete a specific scope of work. In addition, by setting forth the long-range parameters of funding and work, they assist the grantee in planning its project. They are also an excellent budget control instrument, in that they represent a contingent encumbrance of out-year budget authority.

MULTI-YEAR FUNDING

SENATOR ANDREWS: Can UMTA enter into obligations beyond the current fiscal year?

ANSWER: No, UMTA cannot obligate funds in advance of the fiscal year in which the funds become available. However, UMTA can make conditional commitments beyond the current fiscal year, as we do in full funding contracts.

FINANCIAL ANALYSIS: FULL FUNDING CONTRACTS

SENATOR ANDREWS What advantage does a local authority gain with the full funding or multi-year funding program? If the local authority cannot obligate funds in advance of the year made available through the authorization level what does an out-year commitment do for them?

ANSWER: The full funding contract (FFC) commits funds for the year the contract is entered into and states that UMTA intends to commit funds, in specified annual amounts, for future fiscal years, subject to the availability of funds from the Congress and is compliance with the terms of the FFC. The level of funding is based upon the detailed cost estimates provided by the local authority. The funding schedule is the result of a cooperative effort by UMTA with all major grantees to balance available funds and the authorized projection of funds with the needs of all grantees, so that the local authority may plan its construction schedule. Although a local authority cannot obligate Federal funds in advance of the year made available, the out-year intention to commit provides for the planning for the use of funds when needed in the future. It also provides

some indication to local lenders of the future availability of funds.

SENATOR ANDREWS: If trust fund revenue generated in the out-years falls short of original projections, how does the Rostenkowski/Byrd amendment affect these full funding contracts? Would the full funding contracts remain whole, and necessary downward adjustments only affect those projects not under contract?

ANSWER: If the Rostenkowski amendment is invoked, UMTA would not be able to release the full amount otherwise available under the Surface Transportation Assistance Act of 1982. To this end, UMTA has opposed statutory authorization levels that would exceed trust fund revenues, since we feel this problem can be avoided through prudent management of the trust fund resource.

Because each full funding contract (FFC) states UMTA's intention to provide Federal funds not currently available at the time the grant agreement is signed, each FFC routinely states that UMTA's commitment to so provide is, "subject to the availability of funds from Congress." None of UMTA's FFC's to date provides any particular grantee a preferred or primary right to UMTA funds at the expense of any other grantee(s). We have, however, traditionally maintained that our fundamental obligation in any particular fiscal year is to honor outstanding commitments such as letters of intent and FFC's. We have not in the past experienced a shortfall of the magnitude that would call for radical adjustments in funding. However, should anticipated Federal funds be unavailable when expected, UMTA would review the current financial needs of all its grantees and allocate among its FFCs any available funds in a manner that would achieve, as well as possible, effective project implementation and maintain equitable treatment of UMTA's various grantees.

SENATOR ANDREWS: Please comment and elaborate on how UMTA recommends that provisions of a full funding contract be written:

-- should it be the total Federal amount requested by the authority or at some lower level;
-- if the amount provided is for less than requested, how does UMTA recommend that the difference be made up;
-- if an authority (for whatever reason) starts to accumulate a large unobligated contract balance, would it be feasible to reduce future year funding until the balance is drawn down;
-- if in letting contracts, the authority (because of the bidding environment) is realizing less costs than originally projected for particular segments, could UMTA expect or demand a dollar-for-dollar reduction in the out-year part of the contracts;
-- if authorities experienced cost overruns what would UMTA's responsibility be under the contract?

ANSWER: The Federal amount in any full funding contract represents the maximum amount UMTA is willing to provide for a project. This amount is usually negotiated both in amount and in the disbursement schedule based on the local authority's need and the availability of Federal funds based on the needs of other local authorities.

Where total requested Federal participation is not available, local authorities often agree to funding some portion of the undertaking without Federal assistance or by scaling down the project. In such cases, UMTA's experience is that savings can be made by applying the principles of value engineering and by other cost cutting mechanisms such as modifying route and station configuration. Local authorities will often commit additional local resources or that of local private industry to participation in the project.

Where the grantee starts to accumulate a large unobligated balance, UMTA could negotiate with the grantee to revise the funding schedule to free up funds.

Where the grantee incurs less costs than originally projected, UMTA would demand a dollar for dollar reduction in the out-year part of the contract if it was clear that all the funds originally programmed would not be used for the original project purposes. In performing within a project budget, latitude is allowed for the cost savings on some items to go into a contingency account or to be used to cover overages in other budget items. UMTA tries to give leeway to local authorities in their construction program so that the project originally planned will be constructed within the amounts provided, although certain elements of the project may come in above or below cost. If any item of the project, however, is deleted or not constructed and its estimated cost was provided as basis for the Federal commitment, the Federal commitment would be accordingly reduced.

UMTA has no responsibility to share in cost overruns beyond the Federal contribution stated in the contract, unless such overruns are beyond the control of the grantee and are specifically provided for in the extraordinary cost provision of the contract. This extraordinary cost provision provides for Federal participation when overruns are the result of inflation beyond a named rate or index in costs due to: acts of God. Federal regulations, or delay in providing Federal funds. The provision also allows some costs resulting from extraordinary awards in eminent domain.

FINANCIAL ANALYSIS: FULL FUNDING CONTRACTS

SENATOR ANDREWS: What difference does UMTA see between the full funding contract proposals now being circulated versus the existing letter of intent process? Please elaborate.

ANSWER: We assume you are referring to Senate and House legislative proposals that would provide multi-year contract authority for section 3 new start projects. Under these proposals, UMTA would be able in a particular fiscal year to obligate future year funds. For example, for a $200 million dollar project UMTA could in a given fiscal year obligate all $200 million, and would probably do so by obligating $50 million from a current fiscal year and $50 million from each of three future fiscal years. This differs from the current process where, using the same example, only $50 million from the current fiscal year would be obligated while the remaining $150 million would be unobligated and would be subject to the availability of future funds.

We do not think that a change to this multi-year contract process is necessary or desirable. We have consistently honored

our commitments under letters of intent and full funding contracts (FFCs), and we will continue to do so. Moreover, by obligating all of the funds for a particular project at once we could seriously impair our oversight role on large construction projects. Under the current letter of intent process we can, for example, require a grantee to satisfy our construction management objectives before obligating funds for a particular year. Finally, it is possible that a project for all of the funds were obligated could be delayed or terminated by litigation or lack of local support, and it could be very difficult to deobligate those funds quickly to be used elsewhere. Again, we are pleased with the existing letter of intent process, as supplemented through the use of FFCs, and believe it should continue.

SENATOR ANDREWS: What advantage does a full funding contract have or offer that is not associated with letters of intent? Please elaborate.

ANSWER: The letter of intent is a unilateral statement by the government of an intention to provide funds over a specified period of time. The full funding contract is a bilateral agreement whereby the government states its intention to provide a certain level of funding and the grantee agrees to carry out a particular project. The full funding contract is a device for actually funding the project and assuring that the grantee completes a specific scope of work. It sets forth in detail the rights and obligations of the parties. The letter of intent achieves none of these objectives.

NEW STARTS - SECTION 9

SENATOR ANDREWS: The degree of local financial commitment is a factor in evaluating potential new start projects, however, if Section 9 funds are used to fund a great part of the local match, aren't we ignoring necessary routine capital needs? Wouldn't the inordinate use of Section 9 funds basically discourage the local authority from fully exploring all the local funding alternatives available to them?

ANSWER: We are quite conscious that local authorities might be tempted to use Section 9 funds for a new start project at the expense of routine capital needs. These areas might then apply for Section 3 discretionary funds for their routine capital needs. However, to prevent this, if an area does use Section 9 funds for a new start, we would not provide Section 3 funding for their routine capital needs. This condition would be incorporated in the grant documents for Section 9 funding.

The use of Section 9 funding would not discourage local authorities from exploring all local funding sources because during the alternatives analyses phase of project development, which occurs well in advance of the Federal funding decision, locals are required to examine and document alternative funding sources.

LOCAL SHARE PROVISIONS

SENATOR ANDREWS: Is UMTA considering any change in existing law, specifically Section 4, that requires that the remainder of net project costs be provided, in cash, from sources other than Federal funds?

ANSWER: At this time, UMTA is not considering any changes to the Section 4 local share provisions.

SECTION 9 FUNDS AVAILABILITY

SENATOR ANDREWS: When were the Section 9 formula funds made available for local obligation? Specifically, on what dates were the capital funds made available and when were the operating funds made available? Because this is a formula apportionment program, why the delay in making the funds available? Does UMTA expect similar problems in FY 1985?

ANSWER: The Federal register notice announcing Section 9 apportionments was issued on November 2, 1983. On November 23, 1983, Section 9 funds (both capital and operating) were made available for obligation. Given the fact that the Section 9 formula program is a brand new program, the first year implementation process has proceeded relatively quickly. While some start-up difficulties have been encountered, they have had minimal effect on program implementation. We expect the program to flow smoothly in FY 1985.

WMATA BUDGET REQUEST

SENATOR ANDREWS: The FY 1985 budget request for the Washington Metropolitan Area Transit Authority (WMATA) states that the construction schedule could be accelerated, at WMATA's option, through the use of available Section 9 formula funds. Doesn't this establish an unwarranted precedent, i.e., encouraging locals to use Section 9 funds for rail construction?

ANSWER: This would not establish an unwarranted precedent per se. Section 9 funds can be used for new start projects at the discretion of local officials. However, we will review a Section 9 request in light of the applicant's funding needs for routine capital projects and our approval would be contingent upon their certification to fund routine capital needs without the use of Section 3 funds.

SENATOR ANDREWS: Doesn't UMTA believe that WMATA should be held to the same restrictions as other authorities, whereby Section 4 of the UMT Act states that the remainder of net project costs shall be provided in cash, from sources other than Federal funds?

ANSWER: Unlike any other transit property, capital funding for the Washington Metrorail system is provided by special authorizing legislation. This authorization was set forth in the National Capital Transportation Act of 1969 and later amended in 1980 by the so-called Stark-Harris Act. The language governing local match for the Urban Discretionary Grants program (Section 4(a) of the UMTA Act) and that for WMATA (Section 14(b) of National Capital Transportation Act of 1969) are similar enough to allow for the same type of local match under both programs. In the interest of consistent public policy, we believe that WMATA should be held to the same rules and regulations as other transit authorities.

MAJOR CONSTRUCTION PROJECT BALANCES

SENATOR ANDREWS: It was recently reported that the Washington Metropolitan Transit Authority (WMATA) has approximately $400 million of unobligated Federal and local funds on their books. Has UMTA reviewed or audited other major construction projects to determine if there are other unobligated Federal funds? If not, why not? what projects were reviewed and what did you find? Please elaborate.

ANSWER: In addition to normal project management reviews of grantees' obligation rates, UMTA is currently reviewing obligation rates for all major rail modernization projects. In addition, the full implementation of our new computerized financial management information system will enable better routine reviews of obligation rates.

ADJUSTMENTS TO AVAILABLE BALANCES

SENATOR ANDREWS: The final FY 1983 Treasury Combined Statement shows $1.455 billion of available balances for the UMTA accounts. Your budget shows only $1.149 billion -- a $306 million difference. Doesn't Treasury have the last word on fund balances and isn't UMTA required to reconcile the numbers?

ANSWER: Each Federal Agency, including UMTA, is required to reconcile cash accounts with Treasury. However, the Treasury Combined Statement, which includes non-cash as well as cash balances, reflects information as reported by UMTA.

FISCAL YEAR 1983 END OF YEAR AVAILABLE BALANCES

SENATOR ANDREWS: The Committee understands that UMTA is now (7 months after the end of the Fiscal Year) revising the FY 1983 end-of-year balances. Will these revisions finally reconcile the UMTA numbers to Treasury, or will it further exacerbate the difference? Does your adjustment increase or decrease the available balance? By how much?

ANSWER: As a part of the implementation of UMTA's new Financial Management System, it was necessary to analyze and, in many instances, reconstruct project balances and the current status of those projects identified as active.

As a result of this analysis, appropriate adjustments will be made prior to the close of FY 1984. Accordingly, we expect that the available balances reported to Treasury as of September 30, 1984 will be reconcilable.

CERTIFICATION OF ACCOUNT BALANCES

SENATOR ANDREWS: Which UMTA office is ultimately responsible for determining and certifying balances? Please explain why there has been so much difficulty on reconciling the numbers.

ANSWER: The UMTA Office of Financial Management has been delegated responsibility for determination and certification of fund balances.

Prior to implementation of the new UMTA Financial Management System, there existed three (3) sets of records in UMTA which were were separately maintained by the Accounting Division, the concerned program offices and the Office of Management Information Systems. This multiple record keeping led to considerable confusion.

PERSONNEL TURNOVER
OFFICE OF FINANCIAL MANAGEMENT

SENATOR ANDREWS: What level of personnel turnover has the Office of Financial Management experienced over the past two years? In your opinion, is the rate of turnover a problem? If not, why not?

ANSWER: The level of personnel turnover experienced by the Office of Financial Management over the past two years was excessive. The turnover affected 20 out of a total 38 positions (35 full-time permanent and 3 other than full-time permanent).

While this situation had a decided adverse short-term effect on the operation and function of the Office, in our considered opinion, the rate of turnover, in this instance is not considered to be a long-term problem. Approximately 50 percent of the employees who left the organization had originally joined the office as a result of UMTA's reduction in force and reorganization, which occurred in March 1982. This created a temporary disproportionate mix of job skills and grade levels which we were able to rectify in subsequent recruitment actions.

Since the beginning of FY 1984, the Office has lost 2 employees by attrition which is commensurate with the 5% rate for the agency.

ACCURATE REPORTING OF AVAILABLE BALANCES

SENATOR ANDREWS: What is UMTA doing so that an accurate report on available balances will be available as you close out FY 1984?

ANSWER: The new UMTA Financial Management System (FMS) is being implemented as of October 1, 1983 for Fiscal Year 1984 transactions. As a part of the implementation process it was necessary to analyze and, in many instances, reconstruct project balances and the current status of those projects identified as active. Appropriate adjustments will be made prior to the close of FY 1984.

The new FMS will provide the required financial and administrative control of funds over the various grant program activities and attendant administrative expenses. The system will satisfy reporting requirements to both internal and external authorities in an accurate, efficient and timely manner, thus obviating reporting problems encountered in prior fiscal years.

ADJUSTMENTS TO REPORTED OBLIGATIONS

SENATOR ANDREWS: Should the Committee assume that the numbers we see in the FY 1985 budget justification for FY 1983 obligations are understated and the FY 1984 obligations are overstated? What is the budgetary impact on FY 1985?

ANSWER: Fiscal Year 1983 obligations reflected in the Fiscal Year 1985 budget justification are understated by approximately $133.3 million. This is approximately 3 percent less than the total Fiscal Year 1983 obligations disclosed as a result of our subsequent review and analysis effort in developing firm Fiscal Year 1983 year end unobligated balances. Based on program plans recently received from grant recipients, we now expect FY 1984 obligations to be less than shown in the Budget. We also now expect FY 1985 obligations to be somewhat less than projected in the Budget.

BUDGET SCHEDULES

SENATOR ANDREWS: By our calculations, the FY 1985 Urban formula obligations are more than what you actually have available in carryover funds for the program. I'm concerned that maybe UMTA does not really know what is available as it goes into FY 1985 -- or FY 1984 for that matter. Furthermore, the budget request shows FY 1985 nonurban obligations at only 2% of that program's available balance. Please explain why the FY 1985 urban formula obligations are in excess of available funds and the nonurban obligations are at such a low level of available funds. The committee recommends UMTA review the Trust Fund schedule on Page 63 and revise it for the record. The committee recommends that a complete and detailed financial review be made of the FY 1983 balances and appropriate adjustments to the FY 1985 Budget schedules be provided for the record.

ANSWER: Those budget schedules requiring revision due to a change in FY 1983 unobligated balances follow:

FORMULA GRANTS

Identification code 69-1129-0-1-401	19 83 actual	84 estimate	85 estimate
Program by activities:			
1. Urban formula grants	1,157,741	2,184,611	2,285,488
2. Non urban formula grants	76,303	76,000	81,510
3. Reimbursables	132,166	5,000	5,000
10.00 Total obligations (obj class 41.00	1,366,210	2,265,611	2,371,998
Financing:			
11.00 Offsetting collections from Federal funds	-132,166	-5,000	-5,000
21.40 Unobligated balance available, start of year	-659,133	-689,235	-817,216
22.40 Unobligated balance transfered, net	204		
24.40 Unobligated balance available, end of year	689,235	817,216	839,718
25.00 Unobligated balance lapsing	4,150		
40.00 Budget authority (Appropriation)	1,268,500	2,388,592	2,389,500
Relation of obligations to outlays:			
71.00 Obligations incurred, net	1,234,044	2,260,611	2,366,998
Obligated balance, start of year:			
72.40 Appropriation	3,169,093	2,042,548	2,471,406
Obligated balance, end of year:			
74.40 Appropriation	-2,042,548	-2,471,406	3,102,366
90.00 Outlays	2,360,589	1,831,753	1,736,038

INTERSTATE TRANSFER GRANTS-TRANSIT

Identification code 69-1127-0-1-401	19 83 actual	84 estimate	85 estimate
Program by activities:			
10.00 Total obligations (obj class 41.0	412,447	295,400	250,000
Financing:			
21.40 Unobligated balance available, start of year	-447	...	...
24.40 Unobligated balance available, end of year	...	...	...
40.00 Budget authority (Appropriation)	412,000	295,400	250,000
Relation of obligations to outlays:			
71.00 Obligations incurred, net	412,447	295,400	250,000
72.40 Obligated balance, start of year	1,213,325	1,408,549	1,301,957
74.40 Obligated balance, end of year	-1,408,549	-1,301,957	-1,137,988
90.00 Outlays	219,223	401,992	413,969

URBAN MASS TRANSPORTATION FUND

Identification code 69-1119-0-1-401	19 83 actual	19 84 estimate	19 85 estimate
Program by activities:			
1. Discretionary grants	1,689,983	3,873	...
2. Waterborne and Commuter rail	711	62	...
10.00 Total obligations (obj class 41.0)	1,690,694	3,935	...
Financing:			
21.40 Unobligated balance available, start of year	-2,979	-3,935	...
24.40 Unobligated balance available, end of year	3,935	...	...
39.00 Budget authority	1,691,650	...	...
40.00 Budget authority (Appropriation)	2,372,785	...	...
40.49 Portion applied to liquidate contract authority	-681,135	...	...
40.50 Balance of appropriation to liquidate contract authority withdrawn	-3,938	...	...
43.00 Appropriation (Adjusted)	1,691,650	...	...
Relation of obligations to outlays:			
71.00 Obligations incurred, net	1,690,694	3,935	...
Obligated balance, start of year			
72.40 Appropriation	2,529,439	3,836,838	2,576,196
72.49 Contract authority	677,197	...	...
Obligated balance, end of year			
74.40 Appropriation	-3,836,838	-2,576,196	-1,534,788
90.00 Outlays	1,060,492	1,264,577	1,041,408

RESEARCH, TRAINING AND HUMAN RESOURCES

Identification code 69-1121-0-1-401	19 83 actual	19 84 estimate	19 85 estimate
Program by activities:			
1. Direct obligations	58,901	54,999	44,800
2. Reimbursables	1,260	...	793
10.00 Total obligations	60,161	54,999	45,593
Financing:			
11.00 Offsetting collections from Federal funds	1,260	...	...
14.00 Offsetting collections from Non-Federal sources	...	...	793
21.40 Unobligated balance available, start of year	-850	-199	...
24.40 Unobligated balance available, end of year	199	...	...
40.00 Budget authority (Appropriation)	58,250	54,800	44,800

Identification code 69-1121-0-1-401	83 19 actual	84 19 estimate	85 19 estimate
Relation of obligations to outlays:			
71.00 Obligations incurred, net.....	58,901	34,999	44,800
72.40 Obligated balance, start of year	67,540	87,605	67,581
74.40 Obligated balance, end of year....	-87,605	-67,581	-53,586
90.00 Outlays.....	38,836	75,023	58,795

DISCRETIONARY GRANTS

Identification code 69-8191-0-7-401	19 83 actual	19 84 estimate	19 85 estimate
Program by activities:			
1. Urban formula grants.....	572,748	106,700	61,000
2. Non urban formula grants.....	5,320	10,000	7,490
3. Discretionary grants.....	...	1,225,000	1,100,000
10.00 Total obligations (obj class 41.0)	578,068	1,341,700	1,168,490
Financing:			
21.49 Unobligated balance available, start of year.....	...	-200,932	-109,232
24.49 Unobligated balance available, end of year.....	200,932	109,232	40,742
39.00 Budget authority.....	779,000	1,250,000	1,100,000
60.00 Budget authority (Appropriation)	55,000	242,000	450,000
60.49 Portion applied to liquidate contract authority.....	-55,000	-242,000	-450,000
63.00 Appropriation (adjusted).....	...	...	...
69.10 Contract authority (PL-97-424)	779,000	1,250,000	1,100,000
Relation of obligations to outlays:			
71.00 Obligations incurred, net.....	578,068	1,341,700	1,168,490
Obligated balance, start of year:			
72.40 Appropriation.....	...	31,869	90,406
72.49 Contract authority.....	...	523,068	1,622,768
Obligated balance, end of year:			
74.40 Appropriation.....	-31,869	-90,406	-38,125
74.49 Contract authority.....	-523,068	-1,622,768	-2,341,258
90.00 Outlays.....	3,131	203,463	302,281

ADJUSTMENTS TO AVAILABLE BALANCES

SENATOR ANDREWS: The Committee expects to use the revised data in deliberations of the FY 1985 budget, and therefore requests that the UMTA Administrator sign-off on any revised numbers.

ANSWER: The UMTA Administrator has been continually apprised of the revisions to the Fiscal Year 1983 unobligated balances.

FY 1983 END-OF-YEAR BALANCES

SENATOR ANDREWS: Please provide a detailed listing of FY 1983 end-of-year balances by Section of the Act, and estimated FY 1984 end-of-year balances.

ANSWER: The data requested is as follows (dollars in thousands):

Section	Unobligated Balances FY 1983 (actual)	FY 1984 (estimated)
3, 8, 16(b)(2)	$ 3,873	$ 25,000*
5	606,498	325,000
6	291	-0-
9	-0-	416,000
9A	183,442	76,742
10	18	-0-
11	1	-0-
17	122	-0-
18	99,720	83,706
23	32	-0-
32	62	-0-
Unrestricted	242	-0-
Total	$ 894,301	$926,448

* Represents difference between FY 1984 authorization of $1.250 billion and obligation limitation of $1.225 billion.

SECTION 8 ALLOCATION FORMULA

SENATOR ANDREWS: According to the budget (page 70) the $50 million requested for FY 1985 will largely be distributed on the basis of a 1980 census population-based formula. Specifically, how much is to be distributed by population formula and how much is to be held by UMTA for Discretionary use? Please explain how you arrived at these distribution levels.

ANSWER: We intend to distribute $40 million to Metropolitan Planning Organization (MPO's) on the basis of a 1980 census population based formula and an additional $5 million to States also based on 1980 population figures. This accounts for 90% of the total Section 8 planning program. The remaining 10%, or $5 million, is retained for discretionary use by the Administrator. This funding distribution has historically provided sufficient funding to

meet MPO and State needs while providing needed flexibility at the Federal level to address unanticipated needs that may arise during the program year.

SUMMARY OF SECTION 8 FUNDING

SENATOR ANDREWS: Please provide for the record the FY 1982 Section 8 dollars to metropolitan planning organizations, to State planning organizations, and the amount of funds allocated for discretionary planning grants. Provide for fiscal years 1983, 1984, and 1985 the Section 8 dollars to metropolitan planning organizations, to State planning organizations, and the amount of funds allocated for discretionary Section 8 funding. By the three categories (MPOs, SPAs, and discretionary) how much was obligated or estimated to be obligated for FYs 1982, 1983, 1984, and 1985 for alternatives analysis, preliminary engineering, and other planning.

ANSWER: The requested of the information is presented in the following tables:

TABLE 1: Section 8 Funds allocated to MPO's, States, and Discretionary use in FY 1982, FY 1983, FY 1984, and FY 1985

	To MPO's	To States	Discretionary	Total Program
FY 1982	$43.7m	$5.0m	$5.3m	$54.0m
FY 1983	$40.8m	$5.3m	$3.9m	$50.0m
FY 1984	$40.0m	$5.0m	$5.0m	$50.0m
FY 1985	$40.0m	$5.0m	$5.0m	$50.0m

TABLE 2A: Section 8 funds estimated to be obligated for Alternatives Analysis, Preliminary Engineering and other planning in FY 1982, FY 1983, FY 1984, and FY 1985.

FOR MPO CATEGORY

	Alternatives Analysis	P.E.	Other	MPO Total
FY 1982	$5.0m	0	$38.7m	$43.7m
FY 1983	$5.0m	0	$35.8m	$40.8m
FY 1984	$0.5m	0	$39.5m	$40.0m
FY 1985	0	0	$40.0m	$40.0m

SECTION 9 OBLIGATIONS FOR PLANNING

SENATOR ANDREWS: Since Section 9 funds are also available for planning, how much was obligated in FY 1983 and FY 1984 to date for this purpose.

ANSWER: In FY 1983, $11.1 million of Section 9A funds were obligated for planning projects. We estimate that an additional $6.7 million will be obligated under Sections 9 and 9A in FY 1984.

13(c): UPDATE ON PROPOSED CHANGES

SENATOR ANDREWS: Could you update the committee on some of the proposed changes? When will Congress receive the administration's proposal on the 13(c) program?

ANSWER: Several months ago the Department of Labor sought comments from labor and industry on the administration's proposal on 13(c). We are aware of no further action.

POSSIBLE SAVINGS FROM PROPOSED SECTION 13(c) GUIDELINES

SENATOR ANDREWS: Has either UMTA or the Department of Labor done an analysis as to the potential savings (or costs) associated with the proposals? Could you share those budgetary figures with the Committee?

ANSWER: In October 1982, UMTA undertook a study with the Urban Institute to attempt to assess the extent of the adverse impacts of Section 13(c) as presently administered. Guidelines for relief would then be finalized by the Department of Labor and Transportation (DOL/DOT) if required. A draft of the results of the study is now under review at DOT.

REDISTRIBUTION OF SECTION 18 FUNDS

SENATOR ANDREWS: Are the FY 1983 nonurban trust fund balances subject to formula redistribution at the beginning of FY 1986? Based on the revised budget schedule, how much will be available for redistribution?

ANSWER: Yes, any FY 1983 non-urban (Section 18) trust fund balances not obligated by the end of FY 1985 will be available for redistribution at the beginning of FY 1986. However, at this time, UMTA estimates that all such funds will be obligated by the end of FY 1985.

SECTION 18 OBLIGATION RATE

SENATOR ANDREWS: According to the budget, only 23% and 26% of the FY 1983 nonurban trust fund appropriation is obligated in FY 1983 and 1984 respectively. Can we assume that UMTA's "streamlined" Section 18 general fund grant process will produce faster obligations? What is UMTA's estimate for obligation rates in this program?

ANSWER: We are optimistic that several factors will accelerate the obligation rate, and FY 1984 obligations to date support an increased rate. UMTA's streamlined procedures allow States to submit a program of projects, rather than individual project applications. UMTA obligates funds to the States for projects in varying categories of readiness for implementation. The reduction of the period of availability of the funds from four years to three, which was enacted by Congress in the STAA of 1982, provides additional incentive to the State to obligate funds more quickly. During the first two quarters of FY 1984, 29 States obligated $38.2 million.

Because the allocation of the FY 1983 Section 18 trust fund appropriation was not announced to the States until May 24, 1983, only four months remained to obligate these funds during the first year of availability. $5.31 million of the FY 1983 trust fund appropriation was obligated in FY 1983 and an additional $6.24 million in the first half of FY 1984. It should be noted that as a general practice, UMTA obligates oldest available funds first. Therefore, if a State had FY 1981 or FY 1982 general funds available, they would be obligated before any FY 1983 trust funds were used.

SECTION 18 ADMINISTRATION IN PUERTO RICO

SENATOR ANDREWS: On page 61 of the budget you reported that UMTA has taken over total responsibility for implementation of the Section 18 non-urban program. Last year, Mr. Teele told us about his plan to assume administration of this program. Is UMTA now administering the total program? Is there any particular reason you left the administration of grants in Puerto Rico in FHWA?

ANSWER: UMTA is now fully administering the entire Section 18 program with the exception of Puerto Rico. To accommodate a unique situation, at Puerto Rico's request, UMTA and FHWA agreed to continue FHWA's administration of the Section 18 program there. Continued management by FHWA avoided the disruption of transition at a critical stage in program development and took advantage of the availability of FHWA field staff on site who could provide close supervision and technical assistance. A memorandum of understanding has been developed regarding the respective roles of FHWA and UMTA. We expect the situation to be temporary and UMTA will assume responsiblity for Puerto Rico's program.

UMTA FIELD STAFF ADMINISTRATION OF SECTION 18

SENATOR ANDREWS: Since the program was first funded in FY 1979, it had been administered by FHWA, primarily because UMTA did not then have sufficient field staff to manage the program (according to Mr. Teele). What changes have you made in the regional field staffing that enables UMTA to now adequately manage and deliver the program.

ANSWER: At the time the Section 18 program began, UMTA was just beginning to fully develop its field staff. During the past five years both the UMTA field apparatus and the Section 18 program have matured. UMTA now has a well seasoned regional staff, which we believe is adequate to manage the program. A lead person for

Section 18 has been designated in each Region. Also, the streamlining of the program application process and enhanced State role reduces the need for a greater number of people. In addition, the State agencies are now experienced enough that they can administer their statewide programs without extensive Federal technical assistance in the management of the Section 18 program.

SECTION 18 HEADQUARTERS RESPONSIBILITIES AND STAFFING

SENATOR ANDREWS: Does the UMTA headquarters have any oversight responsibilities for the program? What are these oversight responsibilities, how many headquarters people (and what office) are involved and what portion of their time is devoted to oversight of the Section 18 program? What were the people doing before UMTA took over the full administrative responsibility for Section 18?

ANSWER: The UMTA headquarters office is responsible for: providing overall policy and program guidance for the Section 18 program; allocating funds annually to the States; developing and implementing financial management procedures; initiating and managing technical assistance activities; and conducting national program review and evaluation. A State Programs Division has been established within the Office of Grants Management to coordinate those UMTA programs administered through the States, including Section 16(b)(2) and Section 8 in addition to Section 18. Two full time staff years are assigned to the Section 18 program. The individuals now assigned to the Section 18 program were reassigned from other program areas. In addition, staff time in other headquarters offices such as the Office of the Chief Counsel and the Office of Technical Assistance is also provided to the Section 18 program as needed.

STATE RESPONSE TO SECTION 18 TRANSITION

SENATOR ANDREWS: What have you heard from the States on how the program is working under UMTA?

ANSWER: States are generally pleased with UMTA's takeover and administration of the Section 18 program and the simplified procedures that we have instituted. However, a number of States and operators have expressed concern with the application of the new Section 105(f) regulation and the administrative burden it places on States and small Section 18 operators.

SECTION 18 APPORTIONMENTS, OBLIGATIONS, OUTLAYS

SENATOR ANDREWS: In last year's response to a record question (Senate Hearings Fiscal Year 1984, Part 2, page 733-734), UMTA said they would be streamlining the Section 18 grant process for faster grant approval, provide earlier notification of State apportionments, and anticipate an accelerated rate of State obligations. Has this in fact happened? Please be specific and tell the Committee the date of Federal Register apportionments for fiscal year 1984; FY 1984 obligations to date, and outlays. How does this compare with FY 1983?

ANSWER: The UMTA Administrator notified the Governors of their

FY 1984 Section 18 apportionments in a letter dated October 20, 1983. Subsequently these figures were publisned in the Federal Register, along with other UMTA apportionments, on November 2, 1983. During the first half of FY 1984, $38.2 million was obligated, compared to $24 million during the comparable period in FY 1983. Early obligations in FY 1984 do in fact reflect an accelerated obligation rate. Disbursements during the first half of FY 1984 totalled $31 million, compared to $50 million during all of FY 1983, which reflects an accelerated rate of outlays as well.

SECTION 18 PROGRAM GUIDANCE

SENATOR ANDREWS: Has UMTA published procedures or guidelines on administering the FY 1984 Section 18 programs? Are there separate procedures for Puerto Rico? Were AASHTO and the States consulted when you put these guidelines together? I assume that FHWA's experience was called upon when you were developing your own procedures. How are UMTA's guidelines different from what FHWA had been using for 5 years?

ANSWER: UMTA published Section 18 Program Guidance and Grant Application Instructions in one comprehensive document, UMTA Circular 9040.1, on September 26, 1983. FHWA managed the program under an Emergency Regulation published in 1978, supplemented throughout the years by various memoranda and instructions on policy and program issues. Wherever possible and advantageous, UMTA has maintained the policies and procedures jointly agreed upon by FHWA and UMTA. At the same time, we have significantly streamlined grant application development and approval procedures and have given the States increased responsibility for day to day management of the program. In the unique case of Puerto Rico, while policy and programmatic guidelines are the same, FHWA continues to use its own procedures for obligating and disbursing funds.

UMTA developed the Program Guidance Circular with extensive consultation and review by AASHTO and all the States. The transition task force which UMTA established included FHWA staff from both headquarters and field.

SECTION 18 OBLIGATIONS

SENATOR ANDREWS: According to the budget (p. 58) the Section 18 funds provide for technical assistance, planning, research, administrative, capital and operating costs. Of the $77.2 million general fund obligations in FY 1983, how much was provided for each of these activities? Of the estimated FY 1984 and FY 1985 obligations how much will be obligated for each activity? Please provide for the record by location with a brief description of the project.

ANSWER: The Section 18 obligations in FY 1983 both general and trust fund monies, and estimates for FY 1984 and FY 1985 are broken down into the following categories:

	(millions of dollars) FY 1983	(est.) FY 1984	(est.) FY 1985
Capital	24.0	25.0	27.0
Operating	40.9	42.0	42.0
Project administration	10.5	10.0	10.0
State administration, planning, technical assistance and research	6.2	9.0	10.0
Total	$81.6	$86.0	$89.0

SENATOR ANDREWS: When UMTA approves a grant (and the obligation hits the books), how long does it usually take before the State obligates the funds? If the funds are not obligated by the State within the 3 year availability, do they revert back to UMTA for redistribution? Will that happen to FY 1983 funds at the beginning of FY 1986? Are you anticipating any redistribution then?

ANSWER: Once UMTA approves a Section 18 grant, thereby obligating funds, these funds are considered obligated also by that State. The obligation by UMTA and the State is one and the same. It is this obligation action that must be taken within the three year period of availability of the funds. That is, a State must apply for and receive UMTA grant approval within the three year availability.

FY 1983 Section 18 funds are available to a State for obligation through the end of FY 1985. States which have not applied for and received grant approval (i.e. obligation) of these funds will lose any claim on the funds and they will be returned to UMTA for redistribution nationally. It is not possible at this point to predict whether or not any States will lose FY 1983 funds.

One feature of the STAA that may affect whether any States lose funds is the provision for Governors to transfer funds between urbanized and non-urbanized areas. A State which could not program Section 18 funds for nonurbanized purposes might be able to use the funds in urbanized areas rather than having them revert back to UMTA for redistribution.

REDISTRIBUTION OF LAPSED SECTION 18 FUNDS

SENATOR ANDREWS: With the problems UMTA has had on grant tracking, how will you know if any funds have to be redistributed when and if the time comes?

ANSWER: UMTA's financial management system maintains a record of the obligation of Section 18 funds by fiscal year within each State. The status of these obligations is checked against UMTA's grant management records and the State's own financial records to assure accuracy.

UMTA issues quarterly reports indicating the unobligated balances for each State. States have, well in advance, a clear

picture of the amount of funds which must obligated by the end of each fiscal year or lost to them.

Redistribution of any lapsed funds would take place at the beginning of the new fiscal year.

SECTION 18 FUNDS AFFECTED BY STA ACT OF 1982

SENATOR ANDREWS: Last year, the UMTA Administrator said that there were no lapsing Section 18 funds at the end of FY 1982 and no lapsing funds were expected for FY 1983. Are the pre-1983 Section 18 appropriations saved under the 1982 STAA redistribution provision. What is the legal basis for this decision?

ANSWER: No Section 18 funds lapsed at the end of FY 1982 and FY 1983 because all the funds which would have been subject to lapse, FY 1979 and FY 1980 funds, had been obligated during the period of availability set forth in Section 18. Since the enactment of the Section 18 program in 1978, the Urban Mass Transportation Act of 1964, as amended, has provided for Section 18 funds that lapse after a specified period of availability to be redistributed by UMTA among all States on the basis of non-urbanized population. The STAA of 1982 merely amended the redistribution provision by shortening the period of availability for obligation from 3 years plus the year of apportionment to 2 years plus the year of apportionment.

SENATOR ANDREWS: If the pre-STAA Section 18 funds no longer lapse to Treasury but remain available for redistribution, were there any States that lapsed prior year funds by the end of FY 1983? If so, what States and how much? Were these funds redistributed at the beginning of FY 1984? Why not? When will they be redistributed?

ANSWER: The Section 18 Statute has always provided for the reapportionment by formula of funds which remained unobligated by a State past the period of availability of these funds. Section 18 funds never lapsed to the Treasury. The STAA merely shortened the length of time that apportioned funds were available to a State from the year of apportionment plus three years to the year of apportionment plus two years. There was no change in how the funds would be redistributed.

All of the States obligated all of the FY 1980 funds apportioned to them by September 30, 1983. Thus, there were no funds to be redistributed at the beginning of FY 1984.

TRANSPORTATION SYSTEMS CENTER

SENATOR ANDREWS: What did the Transportation Systems Center (TSC) do for UMTA in FY 1983 and what is it scheduled to do in FY 1984? How much and from what appropriation have these funds been made available?

ANSWER: During FY 1983, TSC provided the Urban Mass Transportation Administration (UMTA) with two types of support: it provided technical expertise on specific projects and served as staff extensions for program management. As Federal employees, TSC staff may assist in many project management functions that UMTA could not or would not want to contract to a non-Federal entity

(i.e., doing project and procurement documentation; providing expert assistance for project management, guidance and review; and representing the Federal government with grantees).

TSC provided both types of support in the Research, Training and Human Resources category. Specific technical expertise was provided in disciplines relating to transit engineering, equipment, urban transportation investment planning and policy analysis, safety, mathematical network research and advanced computer technology, alternatives analysis, short-and long-range planning methods, maintenance, subsystems, and applications.

During FY 1983, $12,975,000 was made available to TSC under the (then titled) Research, Training and Administration appropriation--$12,110,000 out of Section 6 and $865,000 out of administrative expenses. An additional $732,500 was funded from the Planning and Technical Studies appropriations. We have not yet decided on the nature of work or funding levels we intend for TSC during FY 1984.

DEFEDERALIZATION OF TSC

SENATOR ANDREWS: With the Department's proposal to defederalize the TSC, who will perform these tasks for UMTA? Do you see this as a problem?

ANSWER: The question of who would perform these tasks is one of the issues being addressed by the Department's study of the defederalization of TSC. We are awaiting the results of that study before drawing final conclusions concerning the potential impact of such a defederalization on UMTA.

Elderly and Handicapped Funding

SENATOR ANDREWS: Why are you not requesting the full 3.5% of Section 3 funds authorized for this activity? The justification states that the requested $25 million "...continues the funding level consistent with that of previous years..." is this the sole rationale for the $25 million?

ANSWER: Within the budgetary constraints, UMTA is continuing the funding level consistent with that of previous years. The $25 million funding level for the Section 16(b)(2) program has remained constant for the past 4 years.

Elderly and Handicapped Program Demand

SENATOR ANDREWS: The American Association of State Highway and Transportation Officials (AASHTO) survey found that the demand for the Section 16(b)(2) program is double what you are requesting for FY 1985. Are you familiar with their study? Are program demands of $50 million valid? Why not meet this demand?

ANSWER: AASHTO has adopted a policy position that the Secretary of Transportation should apportion the maximum amount of funds authorized for the Section 16(b)(2) program - (3.5 percent of the Section 21(a)(2) funding), or approximately $38.5 million in Fiscal Year 1985.

A survey conducted by AASHTO of its member States on whether or not they could obligate 50 percent more Section 16(b)(2) funds than currently apportioned indicates that 88 percent of the 51 States surveyed responded that they could obligate 50 percent more funds than they currently receive. AASHTO has discussed these findings with UMTA. We believe this is a fairly accurate estimate of program demand.

The $25 million funding level for the Section 16(b)(2) program has remained constant for the past 4 years. Funding at the fully authorized 3.5 percent level would assist many States in meeting those demands that they must now turn down.

Additionally, in an effort to increase the availability of program funds to the States, we announced this year that we intended to eliminate the practice of permitting States to carry over Section 16(b)(2) funds starting with their FY 1985 allocation. At the end of the fiscal year, any unobligated funds would be redistributed by formula to States. Our practice in the past had been to allow the States an additional year beyond the year of allocation in which to program these funds. We are adopting this policy for two reasons. There is a high level of demand for 16(b)(2) funds and we believe the overall elderly and handicapped community will be better served if available program funds can be promptly applied where the needs clearly exist. The large unobligated carryover balance belies these legitimate needs.

Elderly and Handicapped Administrative Formula

SENATOR ANDREWS: Are these funds annually apportioned by legislative or administrative formula? How long do the States have to obligate their apportionment -- one or two years? If only one year, would legislation be required to extend the availability? When were the 1984 16(b)(2) State apportionments published? Please elaborate.

ANSWER: Section 16(b)(2) program funds are allocated among the States by an administrative formula which is based on percentage of elderly and handicapped population in each State. The fiscal year funding level for each State is announced in a letter from the UMTA Administrator to the governors listing each State's allocation and the amount of carry-over funds from the previous fiscal year, if applicable. Consistent with past practice, the FY 1984 program allocation will be available to the States until September 30, 1985 or two years. However, UMTA has notified the States that we are planning to discontinue the practice of permitting the States to carry over funds starting with the FY 85 allocation. Unobligated funds would be redistributed by formula to all of the States.

The FY 1984 allocations were announced on February 25, 1984.

Elderly and Handicapped Regional and Headquarters Responsibilities

SENATOR ANDREWS: Explain the responsibilities of the region and headquarters staff in administering the Section 16(b)(2) grants.

ANSWER: The UMTA headquarters office is responsible for: providing overall policy and program guidance for the Section 16(b)(2) program; allocating funds annually to the States;

conducting national program review and evaluation; and developing and implementing financial management procedures.

The UMTA Regional Offices have the day-to-day responsibility for administration of the program. Regional Office activities include: reviewing and approving State grant applications; obligating funds; working with States to implement the annual program; receiving State certifications and amendments to the program of projects; and overall program management.

Elderly and Handicapped FY 1983 and 1984 Obligations

SENATOR ANDREWS: Please provide for the record by State the FY 1983 and FY 1984 16(b)(2) obligations to date, indicating the amount of funds used to purchase small vehicles which are accessible to the elderly and handicapped. Also provide the dates that the FY 1983 and the FY 1984 funds were made available for obligation.

ANSWER:

	FY 1983		
State	Amount Obligated	State	Amount Obligated
Alabama	$529,620	Nebraska	$255,648
Alaska	130,412	Nevada	151,556
Arizona	283,000	New Hampshire	163,296
Arkansas	376,680	New Jersey	0
California	1,227,916	New Mexico	194,510
Colorado	283,000	New York	1,680,000
Connecticut	642,000	North Carolina	624,000
Delaware	117,128	North Dakota	240,164
District of Columbia	189,000	Ohio	963,000
Florida	934,736	Oklahoma	416,000
Georgia	585,000	Oregon	300,532
Hawaii	151,000	Pennsylvania	1,132,000
Idaho	163,340	Rhode Island	189,600
Illinois	1,020,000	South Carolina	377,000
Indiana	528,000	South Dakota	189,000
Iowa	377,000	Tennessee	548,000
Kansas	321,000	Texas	841,076
Kentucky	491,000	Utah	239,964
Louisiana	528,000	Vermont	151,000
Maine	208,000	Virginia	510,000
Maryland	792,000	Washington	396,000
Massachusetts	585,000	West Virginia	321,000
Michigan	794,000	Wisconsin	471,000
Minnesota	434,000	Wyoming	62,236
Mississippi	433,364	Guam	131,000
Missouri	590,480	Puerto Rico	617,312
Montana	170,000	Virgin Islands	0
Subtotal	12,884,676	Total	$24,049,570

State	FY 1984 Obligated
Tennessee	$548,000
North Dakota	269,836
South Dakota	189,000
Wyoming	51,084
Idaho	29,624
	$1,087,544

The FY 83 allocations were announced to States on March 7, 1983; the FY 84 allocations were announced February 25, 1984.

SECTION 4(i) INNOVATIVE TECHNIQUES FUNDS

SENATOR ANDREWS: For FY 1985 you are requesting $5 million which you state is "...at the funding level consistent with that of previous years." How can this be when $10 million was appropriated for this program in FY 1984? Were these funds reprogrammed to some other area? If so, are you planning to reprogram these funds?

ANSWER: The $5 million requested for the Section 4(i) program in FY 1985 is consistent with previous years' requests. In previous years, FY 1982, FY 1983, and FY 1984, $10 million was requested for the combined Section 4(i), Innovative Techniques, and the Section 3(a)(1)(C), New Technology Introduction, Programs. In FY 1982 and FY 1983, the $10 million was divided equally between the two programs. Thus, the funding level for the Section 4(i) program in previous years was $5 million.

SECTION 4(i) INNOVATIVE TECHNIQUES RESULTS

SENATOR ANDREWS: What do you have to show for this program and its "consistent" yearly funding since it was first funded in FY 1979? In other words, what have been the results of the funding provided? Please be specific.

ANSWER: The Section 4(i), Innovative Techniques and Methods, program was first authorized in 1979, but the first appropriation was not until FY 1982. A total of 32 projects was approved with FY 1982 funding, and 28 projects were selected for FY 1983 funding.

UMTA is tracking a sample of the FY 1982 projects to determine the general effect and value of the Section 4(i) program, but it is too early to attempt to draw conclusions. However, the program has attracted over 300 proposals since FY 1982, thereby indicating its effectiveness in stimulating interest in the adoption of innovations.

SECTION 4(i) INNOVATIVE TECHNIQUES FUND DISTRIBUTION

SENATOR ANDREWS: How is the funding for the 4(i) program distributed? How much of the FY 1983 funds remain unobligated; how much of the FY 1984 funds are unobligated? When were these funds released for obligation?

ANSWER: The Section 4(i) program has for the last three years solicited proposals through an announcement in the Federal Register. Selection of proposals for funding is through a nationwide competition employing published selection criteria such as cost-effectiveness, increasing fare box revenue, and private sector involvement. Proposals are reviewed and ranked by UMTA regional and headquarters staff. The UMTA Administrator is responsible for the final selection. The UMT Act requires that no State may receive more than 12 1/2% of the total.

Of the FY 1983 funds, $968,240 remain unobligated. No FY 1984 funds have yet been obligated.

SAFETY AND SECURITY STAFFING

SENATOR ANDREWS: How many employees (and at what grade level) comprise the Safety and Security Staff in the Technical Assistance Office? In your opinion, is this level of staffing adequate? Please explain the responsibilities and functions of the safety staff. Are any safety functions performed by private consultants?

ANSWER: The UMTA Safety and Security Staff consists of six employees: One GM-15, four GS-13's, and one GS-4. In addition, one GS-15 is currently on detail from the Department of Justice.

The UMTA Safety and Security program involves extensive training activities, peer reviews, information collection and analysis, investigations and generic research into safety and security problems identified by the transit industry. The program is generally designed as a cooperative effort with State and local governments and transit agencies, and emphasizes local responsibility in assuring transportation safety and security. In this context, the Safety and Security staff provides technical assistance, facilitation, and some direct overview of these entities, and recommends and manages grants and contracts directed towards improving generic safety and security in transit.

SAFETY AND SECURITY FUNCTIONS

SENATOR ANDREWS: Does the safety and security function include reviewing new equipment and construction to insure that safety requirements are met? What criteria is used in this review?

ANSWER: The UMTA safety and security function does not include review of new equipment and construction to insure that safety requirements are met. UMTA relies primarily on codes and standards established by State and local agencies, with which grantees must comply. UMTA does, however, provide technical assistance in the areas of research, education and information dissemination, to assist grantees in complying with these codes and standards.

SAFETY REVIEWS

SENATOR ANDREWS: The justification (page 32) states that UMTA conducted safety reviews of 6 developing rail rapid systems and full system safety reviews at 2 other locations. Was this in FY 1983? What were the findings and what action did you take if the reviews revealed safety violations?

ANSWER: UMTA conducted safety and system assurance reviews at 6 developing rail transit systems. These reviews assessed and evaluated the planning, development and design for system safety, security, reliability, maintainability, dependability, quality assurance and human factors. The reviews were requested by local transit officials. The transit systems that were reviewed are:

Atlanta, GA -- 1975, 1976, 1977
Washington, D.C. -- 1976
Miami, FL -- 1978, 1981
Baltimore, MD -- 1977, 1981
Buffalo, NY -- 1978, 1980
Pittsburgh, PA -- 1980

Safety reviews were conducted at 2 operational rail transit systems. These reviews covered the evaluation/inspection of safety conditions; reviewing representative samples of rail vehicles, track and signal systems and plant facilities; evaluation of the status of the transit system's rail safety program and plan; and evaluation of the system's maintenance and inspection programs. The 2 operational safety reviews were conducted at:

Philadelphia, PA -- 1980
Camden, NJ -- 1981

The review findings were communicated to transit management in the form of recommendations. Subsequent to the safety review of the Southeastern Pennsylvania Transit Authority (SEPTA) in Philadelphia, UMTA recommended corrective repair of defects found in rail vehicles on the Market-Frankfort Line. SEPTA implemented the corrective action recommendation and removed 32 trucks from service for repair and overhaul. In conducting the review at the Metropolitan Atlanta Rapid Transit Authority (MARTA), UMTA made recommendations pertaining to MARTA's proposed training plan and technical provisions for vehicles and train control. MARTA incorporated the UMTA recommendations into their procurement specifications. No major safety violations were found during any of the reviews.

FIRE AND SMOKE SAFETY ACTIVITIES

SENATOR ANDREWS: What is UMTA doing on fire and smoke emission and toxicity for new transit cars? Is this done in-house or by outside contractors?

ANSWER: UMTA, with the assistance of Transportation Systems Center (TSC), has published guidelines entitled, "Recommended Fire Safety Practices for Rail Transit Materials Selection," which delineate testing procedures and performance criteria. These guidelines cover smoke emission and flammability for materials to

be used in the interior of rail transit vehicles. UMTA has developed and maintains through TSC a computer data base of material flammability and smoke emission characteristics for use by transit authorities and material suppliers. UMTA is currently undertaking research leading to the development of guidelines for testing and performance criteria for materials toxicity. This work will be done under contract.

SAFETY AND SECURITY INVESTIGATIONS

SENATOR ANDREWS: Section 318(b) of the STAA provided authority to conduct safety investigations. Did UMTA conduct any safety investigations in FY 1983? If not, why not?

ANSWER: UMTA did not conduct any formal safety investigations in FY 1983. UMTA has been monitoring the Port Authority of New York/New Jersey's investigation of the Journal Square Station Ceiling Collapse accident of August 8, 1983.

SAFETY AND SECURITY PROGRAM FUNDING

SENATOR ANDREWS: What are the actual FY 1983 and FY 1984 obligations to date for the Section 6, Safety and Security activity? What are you requesting for FY 1985?

ANSWER: The actual obligations for the Section 6 Safety and Security activity were $2,774,000 in FY 1983. No obligations have been made to date with FY 1984 funding. UMTA has requested 3 to 4 million dollars for Section 6, Safety and Security activity for FY 1985.

SELF-CERTIFICATION OF SECTION 504 REQUIREMENTS

SENATOR ANDREWS: The STAA of 1982 provides that recipients of transit formula grants annually certify that they are complying with the Section 504 requirements of the Rehabilitation Act. Are the grantees providing the certification in a timely manner? How often has it been necessary to defer grant approval due to lack of Section 504 certification?

ANSWER: The STAA of 1982 does not require UMTA recipients to annually certify that they are complying with Section 504 of the Rehabilitation Act of 1973, as amended. Section 317(c) of the STAA of 1982, however, does require the Department of Transportation to issue a new regulation to implement Section 504. The Department issued a notice of proposed rulemaking (NPRM) pursuant to this requirement on September 8, 1983. The NPRM would require a recipient under UMTA's Sections 3, 5, 9, 9A, or 18 programs to certify that it is complying with the regulation. The proposed certification would be a one-time submission, would be due to UMTA within 9 months of the rule's effective date, and would be referenced in subsequent grant applications. This is a proposed requirement, however, and not yet in effect.

The current Section 504 interim final rule has a similar certification procedure. Section 3, 5, and 18 recipients must certify that special efforts are being made in their service area to ensure that transportation services are provided for handicapped persons. These certifications are a one-time submission and are referenced in subsequent grant applications.

The interim final rule became effective on July 20, 1981, and the certifications were due within 60 days, September 18, 1981. Most recipients had submitted a certification by September 18, 1981, and few grant approvals were deferred due to a lack of certification. In those few instances, UMTA was able to work with the recipient so that the certification was submitted and pending grants were approved expeditiously.

SENATOR ANDREWS: In your opinion do you feel that the needs of the handicapped are being met through this self-certification process? Has UMTA received any complaints or notice of non-compliance from the public or special interest groups? What action is then taken by UMTA?

ANSWER: In our opinion, the special efforts requirement in the interim final rule, which recipients are bound to comply with through the self-certification process, has been a satisfactory approach to meeting the transportation needs of handicapped persons. Our opinion is supported by the fact that UMTA has received very few complaints from members of the public or special interest groups alleging that a particular recipient is not meeting the special efforts requirement.

When a complaint is filed, UMTA investigates it pursuant to the procedures in Subpart F of the Section 504 rule. According to these procedures, UMTA first determines whether there is reasonable cause to believe that the recipient failed to comply with the regulation. If such a determination is made, UMTA attempts to resolve the problem on an informal basis. When informal resolution is not possible, UMTA may, among other things, recommend suspension or termination of UMTA assistance or refer the matter to the Department of Justice.

SELF-CERTIFICATION PERFORMANCE STANDARDS

SENATOR ANDREWS: In response to a record question last year, UMTA stated that it was preparing a circular that would provide self-certification performance standards for the transit system. When did you issue that circular?

ANSWER: On March 30, 1983 and June 27, 1983, we issued guidance for the implementation of the Sections 9A and 9 forumula assistance programs. In developing this guidance, we substantially simplified our grant application and review process. A primary feature of the guidance which gives UMTA grantees maximum flexibility is the program of projects concept together with self-certification.

The performance measures for the self-certification process will be contained in the procedures for triennial review guidance UMTA is now developing. A task force is completing its recommendations for the substance of this guidance.

REIMBURSABLES -- FORMULA GRANTS

SENATOR ANDREWS: According to the budget (pg. 56) UMTA had $131 million of reimbursables in FY 1983 and is estimating $5 million each year FY 1984 and FY 1985. Isn't this a bit unusual to have offsetting Federal fund collections in a formula grant program when most of UMTA's prior year reimbursables have been for research? To whom and for what purpose did UMTA provide reimbursable services in FY 1983? Please review this account and if appropriate correct for the record.

ANSWER: The Formula Grants account consists of several Treasury symbols including the one known of as the Urban Mass Transportation Fund since virtually all of the unobligated balances included in this account are for the Section 5 formula program. Since this Treasury symbol was essentially the only one assigned to UMTA for years reimbursable funds have been traditionally and properly handled through this account. Reimbursements for FY 1983 actually totaled $133.4 million as follows:

Source	Grantee	Amount
§1139(b) of the Northeast Rail Services Act of 1981	Metropolitan Transportation Authority/Connecticut Department of Transportation	$57,020,000
	Southeastern Pennsylvania Transportation Authority	36,764,680
	New Jersey Transit Corporation	20,836,515
	Maryland Department of Transportation	126,750
	Delaware Department of Transportation	20,000
§601(d) of the 15,000,000 Rail Passenger Service Passenger Act	Regional Transportation Authority	
Railroad Rehabilitation Revitalization and Regulatory Reform Act of 1976	Massachusetts Bay Transportation Authority	2,400,000
Other Federal Agencies	Technical Assistance	1,260,000
	Total	$133,425,945

FY 1984 and FY 1985 reimbursables are expected total about $5 million a year for joint technical assistance and research projects undertaken in conjunction with other Federal agencies.

IMPLEMENTATION OF SECTION 317 OF THE STAA

SENATOR ANDREWS: Section 317 of the 1982 Surface Transportation Assistance Act (STAA) required that by July 1983 the Department was to promulgate regulations on transportation services for the elderly and handicapped. Early this past September DOT finally issued a notice of proposed rulemaking. We understand that over 600 comments were received by the time the comment period closed in December. Have you made any preliminary findings as a result of these comments? What are they? When do you expect to promulgate the regulation and when would grant recipients be required to be in compliance with these regulations?

ANSWER: The Department is still in the process of reviewing the voluminous comments received in response to the Notice of Proposed Rulemaking (NPRM). There are no findings that can be made public at this time. We expect to promulgate the final rule later in 1984. The NPRM proposes that a recipient would have to have its program for elderly and handicapped persons in (i.e. money must begin to be spent and transportation made available as provided in the program) on the first day of the recipient's fiscal year next following the date on which the recipient's certification would be due. The NPRM would require the certification to be submitted within nine months of the rule's effective date. Between the effective date of the final rule regulation and the effective date of the recipient's program, the certification provided by the recipient under the existing rule would remain in effect.

ENFORCING OF SECTION 317 OF THE STAA

SENATOR ANDREWS: In last year's response to a Record question (Senate Hearing, Fiscal Year 1984, Part 2, page 704), UMTA stated that its Office of Civil Rights would be responsible for enforcement of the Regulations. With another year behind you studying and analyzing the issue, do you continue to feel that the civil rights office at the current staffing and funding level can effectively carry out this function? How much of the headquarters civil rights staff is devoted to enforcement of the current E & H transportation regulations? And the regional civil rights personnel?

ANSWER: Section 317 of the Surface Transportation Assistance Act (STAA) of 1982 requires, 180 days after the effective date of the Department of Transportation's Elderly and Handicapped Regulation, the establishing of procedures to monitor recipients' compliance. Once the final rule has been issued, UMTA will incorporate the regulation into its existing compliance and enforcement procedures for Title VI of the Civil Rights Act of 1964, Equal Employment Opportunity, and Disadvantaged Business Enterprise Programs. Our current compliance and enforcement mechanisms have greatly contributed to the maximum efficiency and cost effectiveness of UMTA dollars and has kept post-award complaints from UMTA grantees to a minimum. The Headquarters' civil rights staff is composed of sixteen (16) professionals and three (3) clericals. Each professional staff member is charged with the responsibility of investigating complaints of discrimination and providing technical assistance to grantees as well as to the regional civil rights staff

in regards to the Elderly and Handicapped Regulation. This is done in coordination with UMTA's Office of Chief Counsel. All of UMTA's ten (10) regional civil rights staff is responsible for reviewing grantees' program plans and conducting on-site compliance reviews to ensure that grantees are providing accessible transportation services for elderly and handicapped individuals. At the current staffing and funding level, UMTA's Office of Civil Rights does not foresee a request for additional resources in maintaining its effectiveness in enforcing Section 317 of the STAA.

FY 1983, 1984 AND 1985 BUDGET AUTHORITY AND OBLIGATIONS

SENATOR ANDREWS: Please provide for the record the FY 1983, 1984, and 1985 budget authority and obligations by subactivity for the Section 6 Research and Technical Assistance program.

ANSWER: The following table summarizes the Congressional appropriations for the Research, Training, and Human Resources program by activity for FY 1983, 1984 and 1985. The next table provides the same information on obligations. The differences between the two tables reflect the use of carryover funds and obligations of prior year deobligated funds.

Please note that this year, Civil Rights projects are included as a new, separately identified activity. The Civil Rights research does not represent a new program. Rather, it brings together research and training projects which have the common objective of assuring compliance with applicable statutory and administrative requirements, as well as the development and implementation of affirmative actions to increase the participation of minorities and women within the transit industry. For comparative purposes, both tables show funds used in FY 1983 and FY 1984, for projects with additional Civil Rights objectives under Activity J, "Civil Rights", rather than in the parent activity. Similarly, for Human Resources, funds utilized in FY 1983 for Human Resource-related activities are shown under that line item.

Since the UMTA budget justification was published, the obligations incurred have been adjusted. Thus, actual FY 1983 obligations in the second table differ slightly from the levels shown in the budget justification.

(The tables follow:)

Comparative Summary of Appropriations
(dollars in thousands)

	FY 1983 Adjusted	FY 1984 Actual	FY 1985 Request
A. Bus and Paratransit (Section 6)..... $	6,350	6,800	5,000 - 7,000
B. Rail and Construction (Section 6)..... $	6,100	8,300	5,000 - 7,000
C. New Technology (Section 6)..... $	14,500	10,000	0
D. Service and Methods (Section 6)..... $	14,270[1]	7,300	7,000
E. Planning Methods (Section 6)..... $	3,700	3,600	3,300 - 4,300
F. Transportation Management (Section 6)..... $	1,330[1]	2,000	2,000 - 3,000
G. Statistics, Information Services and NCTRP (Section 6)..... $	3,900	3,000	3,000
H. Safety and Security (Section 6)..... $	2,800	2,800	3,000 - 4,000
I. Policy (Section 6).... $	1,000[1]	900	1,350 - 2,350
J. Civil Rights (Section 6)..... $	500	1,000	1,300
Subtotal, Section 6... $	54,450	45,700	34,950
K. Management Training (Section 10)..... $	1,200	1,350	1,350
L. University Research (Section 11)..... $	2,000	2,000	2,000
M. Human Resources (Section 20)..... $	600[2]	5,750	6,500
Research, Training, and Human Resources Total..... $	58,250	54,800	44,800

1) Funds under these activities which were used for projects with Civil Right and Human Resources objectives are reflected under J and M respectively.

2) Additional Human Resources activities were funded under other UMTA programs.

Comparative Summary of Obligations
(dollars in thousands)

	FY 1983 Adjusted	FY 1984 Estimate	FY 1985 Request
A. Bus and Paratransit (Section 6)..... $	6,342	6,800	5,000 - 7,000
B. Rail and Construction (Section 6)..... $	6,108	8,300	5,000 - 7,000
C. New Technology (Section 6)..... $	14,500	10,000	0
D. Service and Methods (Section 6)..... $	14,262[1)2)]	7,300	7,000
E. Planning Methods (Section 6)..... $	3,692	3,600	3,300 - 4,300
F. Transportation Management (Section 6)..... $	1,376[2)]	2,199	2,000 - 3,000
G. Statistics, Information Services and NCTRP (Section 6)..... $	4,060	3,000	3,000
H. Safety and Security (Section 6)..... $	2,774	2,800	3,000 - 4,000
I. Policy (Section 6).... $	1,270[2)]	900	1,350 - 2,350
J. Civil Rights (Section 6)..... $	736	1,000	1,300
Subtotal, Section 6... $	55,120	45,899	34,950
K. Management Training (Section 10)..... $	1,182	1,368	1,350
L. University Research (Section 11)..... $	1,999	2,000	2,000
M. Human Resources (Section 20)..... $	600[3)]	5,750	6,500
Research, Training, and Human Resources Total..... $	58,901	55,017	44,800

1) Includes Georgetown vehicle access project for $7.0 million

2) Funds under these activities which were used for projects with Civil Right and Human Resources objectives are reflected under J and M respectively.

3) Additional Human Resources activities were funded under other UMTA programs.

UNIVERSITY OF WISCONSIN - MILWAUKEE

SENATOR ANDREWS: Because of the program of transportation at the University of Wisconsin - Milwaukee, the Committee directed that they be considered for UMTA - funded research and as a university center for transit research and management development. What has UMTA done in this regard?

ANSWER: The University of Wisconsin at Milwaukee (UW-M) was selected as an UMTA Center in July 1983. FY 1984 is the first year of funding for the UMTA Center at UW-M, which has been awarded $111,000 to conduct its activities this year.

UNIVERSITY CENTERS FOR RESEARCH

SENATOR ANDREWS: Please provide for the record a listing of University Centers for transit research and how much UMTA funding has been provided to each university. Explain the criteria for selecting these specific universities. Which of those universities are designated as Historically Black Colleges (HBCUs)? Please provide funding levels for the fiscal years 1982, 1983, 1984 and estimated for 1985.

ANSWER: Cumulative UMTA Section 11 funding of the nine Centers universities, since the beginning of the University Research and Training Program through FY 1984, is as follows:

University of California at Irvine	$804,566
Florida A&M University	$236,000
Indiana University	$441,046
University of Michigan	$324,500
New York Institute of Technology	$281,503
University of Pennsylvania	$1,292,391
Portland State University	$236,000
Texas Southern University	$358,662
University of Wisconsin at Milwaukee	$445,361
	$4,420,029

The selection criteria for the Centers include geographical location and past association with the UMTA University Research and Training Program.

Two UMTA Centers are located at Historically Black Colleges and Universities (HBCUs) - Florida A&M University and Texas Southern University.

The UMTA Centers' FY 1982-84 Section 11 funding histories are listed below:

	FY 1982	FY 1983	FY 1984
University of California at Irvine	$84,999	$125,000	$111,000
Florida A&M University	-0-	125,000	111,000
Indiana University	90,000	125,000	111,000
University of Michigan	-0-	125,000	111,000
New York Institute of Technology	45,503	125,000	111,000
University of Pennsylvania	84,711	125,000	111,000
Portland State University	-0-	125,000	111,000
Texas Southern University	122,662	125,000	111,000
University of Wisconsin at Milwaukee	-0-	-0-	111,000
	$427,875	$1,000,000	$999,000

Section 11 funding for the Centers in FY 1985 is currently projected at $1,000,000, collectively.

WATERBORNE DEMONSTRATION

SENATOR ANDREWS: Provide for the record a funding and obligation history of the waterborne demonstration program from FY 1979 to date. When can we expect to see a report on the results of the waterborne demonstration project?

ANSWER: The funding and obligation history for the waterborne project is shown below. The report has been completed and is being prepared for submission to the Congress.

Authorization, Appropriations and Recissions

FY 1978 - $25 million authorized
FY 1979 - $ 5 million appropriated
FY 1980 - $10 million appropriated
FY 1981 - $10 million appropriated
FY 1981 - $20.7 million rescinded
FY 1982 - $ 2 million rescinded

Total Available $2,300,000

Obligations by Fiscal Year

FY 1980 - $ 300,000
FY 1982 - 1,223,000
FY 1983 - 777,000

Total Obligations $2,300,000

FLYWHEEL PROGRAM

SENATOR ANDREWS: At last year's House Hearing (House Hearings, Fiscal Year 1984, Part 4, Pg. 896) UMTA testified that they intended to move into revenue service tests on vehicles. Have you done so? If not, do we assume you are still having bench test problems? What are they? Are there still a number of transit agencies who support the program?

ANSWER: AiResearch Manufacturing Company, a division of Garrett Corporation, has a contract for the development and test of a Flywheel Energy Storage System (FESS). On March 14, 1983, during testing of the flywheel unit, which is a major component of the FESS, an explosion in the housing occurred. Following this incident, an accident investigation concluded that the explosion was due to a bearing failure in combination with a combustible coolant fluid. UMTA is currently determining whether to continue the program. Some interest in adopting the technology has been indicated by transit authorities, should the development program be completed.

UNRESTRICTED CASH

SENATOR ANDREWS: In previous years Congress has authorized the use of unrestricted cash to supplement UMTA's Administrative Expenses Appropriation. Was any unrestricted cash used for FY 1983

Administrative Expenses? Is any being planned for use in FY 1984? If so, what was the legal basis for doing so? Please provide for the record: The available balance of unrestricted cash at the beginning of FY 1983; FY 1983 recoveries of prior year unrestricted cash obligations; unrestricted cash balance available beginning FY 1984. Also please provide a tabulation of current projects with unliquidated unrestricted cash obligations, including date of last disbursement for each project.

ANSWER: No unrestricted cash was used for Fiscal Year 1983 Administrative Expenses. There exists no current plan for use of unrestricted cash in Fiscal Year 1984, at this time.

As a part of the implementation of UMTA's new Financial Management System, it was necessarey to analyze, and in many instances, reconstruct project balances and current status of those projects identified as active. Due to the magnitude of this data clean-up/conversion process, the review, and analysis is not expected to be fully completed until July 1984. Accordingly, we are unable at this time, to provide either a status or tabulation of unliquidated unrestricted cash obligations including dates of last disbursement for each project.

The status of unobligated unrestricted cash, as requested, is as follows:

Unobligated balance available at beginning of Fiscal Year 1983	$181,145
Recoveries of prior year obligations in Fiscal Year 1983	$ 91,025
Unobligated balance available at beginning of Fiscal Year 1984	$242,170

REIMBURSEMENT OF TRAINING COSTS

SENATOR ANDREWS: The committee understands that the $793,000 FY 1985 offsetting collections from non-Federal sources (pg. 26 of Budget) represents reimbursement to UMTA for training of non-Federal employees. With UMTA's emphasis over the past few years on Technical Assistance and "outreach", why are you now asking the States, et al, to provide funds for the training that UMTA has been encouraging? Have you done any analysis on whether this requirement to reimburse UMTA will result in less training of transit personnel? In what areas of training might attendance fall off?

ANSWER: As part of an overall DOT initiative, we propose to establish a 50 percent local matching share requirement for all UMTA-sponsored training in FY 1985. The Department believes that such a requirement will serve the interests of both the Federal government and the recipient organizations by leveraging maximum utilization of available Federal training dollars, while promoting sound planning and prudent fiscal policies by the recipient organizations.

We do not know if implementation of a 50 percent local matching requirement would result in less training of transit personnel, nor can we identify any particular training areas that might be affected.

REIMBURSABLE AUTHORITY

SENATOR ANDREWS: The Committee also notes that UMTA is requesting FY 1985 appropriation language that provides for this reimbursement. Do we assume therefore that the current enabling legislation does not provide for reimbursement?

ANSWER: While the provisions of 31 U.S.C. 483a gives broad general reimbursable authority to all Federal agencies, UMTA considers specific authority to be more appropriate.

SES BONUSES

SENATOR ANDREWS: Please provide for the record the names of personnel and amounts of SES Bonuses from FY 1980 to today.

ANSWER:

YEAR	NAME	AMOUNT
1980	Williams, Harold B.	$5,000
1981	McManus, Robert H.	$8,000
	Sander, Raymond J.	5,500
1982	McManus, Robert H.	$10,208
	Benjamin, Peter	6,507
1983	Sander, Raymond J.	$9,000
	Hunt, Thomas R.	3,900
	McManus, Robert H.	5,800
	Christovich, Charles G.	3,700

AWARDS

SENATOR ANDREWS: Please provide for the record the total dollar amount and number of employees who received awards other than SES bonuses during FY 1983 and FY 1984 to date.

ANSWER: During FY 1983, 83 employees received awards totalling $85,197. Thus far in FY 1984, 13 employees have received awards totalling $12,111. UMTA plans to present additional awards during our awards ceremony planned for later this year.

DISTRIBUTION OF POSITIONS BY GRADE

SENATOR ANDREWS: The budget shows 525 authorized full time permanent positions for FY 1983 and FY 1984 and 522 for FY 1985, with 63% of the positions in the Washington, D.C. headquarters and the balance in regional offices. Please provide for the record the number of positions by GS grade level in each headquarters and each regional office for FY 1983, 1984, and 1985. Denote unfilled positions.

ANSWER: The following tables provide requested information.

UMTA
Headquarters Authorized Positions by Grade
(9/30/83)

Headquarters	Administrator	Executive Secretariat	Public Affairs	Chief Counsel	Budget/ Policy	Financial Mngt	Civil Rights	Administration	Research & Technology	Grants Mngt	TOTAL
EX	-	-	-	-	-	-	-	-	-	-	-
SES	1	-	-	1	3	1	-	1	4	3	14
GS/M-15	-	1	1	4	6	4	1	5	13	13	48
14	-	1	-	4	6	-	1	5	23	7	47
13	1	3	1	2	5	8	4	17	12	9	62
12	-	4	1	3	2	3	3	6	9	4	35
11	-	1	-	-	1	3	-	3	3	-	11
10	-	-	-	-	-	-	-	-	-	-	-
9	-	1	1	1	-	2	4	4	2	3	18
8	1	-	-	1	-	1	1	1	2	2	9
7	-	1	-	3	7	6	1	8	3	3	32
6	-	4	1	1	-	-	1	5	7	1	20
5	-	-	-	1	1	5	-	3	-	3	13
4	-	1	-	-	-	2	-	-	1	-	4
3	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	2	-	2
1	-	-	-	-	-	-	-	-	-	-	-
Wage Grade	-	1	-	-	-	-	-	-	-	-	1
**Unfilled Positions	6	2	-	2	1	-	1	-	3	-	15
TOTAL HQ	9	20	5	23	32	35	17	58	84	48	331

** Unfilled positions and totals reflect authorized positions, not OMB/OST imposed ceilings

UMTA
Regional Authorized Positions by Grade
(9/30/83)

Regional Offices	URO-1	URO-2	URO-3	URO-4	URO-5	URO-6	URO-7	URO-8	URO-9	URO-10	TOTAL
EX	-	-	-	-	-	-	-	-	-	-	-
SES	-	1	-	-	-	-	-	-	-	-	1
GS/M-15	1	1	1	2	2	2	1	1	3	1	15
14	5	4	4	4	4	5	3	-	6	3	38
13	4	5	9	2	10	3	2	5	6	2	48
12	1	1	-	3	1	-	1	1	2	1	11
11	-	-	4	1	1	1	1	-	-	-	8
10	-	1	-	-	-	-	-	-	-	-	1
9	4	2	-	1	2	1	1	-	2	1	14
8	-	-	-	1	1	-	-	-	-	-	2
7	-	2	1	1	2	2	1	1	2	1	13
6	1	-	2	1	1	2	1	1	1	-	10
5	1	2	3	5	2	2	2	1	-	1	19
4	-	1	-	-	-	-	-	-	-	-	1
3	-	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	-	-	-
Wage Grade	-	-	-	-	-	-	-	-	-	-	-
**Unfilled Positions	3	4	-	2	2	-	-	1	1	-	13
TOTAL FIELD	20	24	24	23	28	18	13	11	23	10	194
TOTAL HQ											331
UMTA GRAND TOTAL											525

** Unfilled positions and totals reflect authorized positions, not OMB/OST imposed ceilings

UMTA
Headquarters Authorized Positions by Grade (Projected)
FY 1984
(4/1/84)

Headquarters	Administrator	Executive Secretariat	Public Affairs	Chief Counsel	Budget/ Policy	Financial Mngt	Civil Rights	Administration	Research & Technology	Grants Mngt	TOTAL
EX	1	-	-	-	-	-	-	-	-	-	1
SES	2	-	-	1	3	1	-	1	4	2	14
GS/M-15	1	-	1	4	6	4	3	5	16	10	50
14	-	2	-	5	6	-	1	5	22	11	52
13	1	4	1	3	5	8	4	16	12	10	64
12	-	3	-	2	2	3	3	6	9	3	31
11	-	-	-	-	1	4	1	3	3	1	13
10	-	-	-	-	-	-	-	-	-	-	-
9	2	1	1	1	-	1	3	3	1	2	15
8	-	-	-	1	-	1	1	1	3	3	10
7	-	2	-	2	5	5	1	9	6	4	34
6	-	4	1	2	-	1	1	2	5	-	16
5	-	1	-	-	1	4	-	1	-	3	10
4	-	-	-	-	-	3	1	3	2	-	9
3	-	-	-	-	-	-	-	-	1	-	1
2	-	-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	-	-	-
Wage Grade	-	1	-	-	-	-	-	-	-	-	1
**Unfilled Positions	2	1	1	1	2	1	-	-	1	1	10
TOTAL HQ	9	19	5	22	31	36	19	55	85	50	331

** Unfilled positions and totals reflect authorized positions, not OMB/OST imposed ceilings

UMTA
Regional Authorized Positions by Grade (Projected)
FY 1984
(4/1/84)

Regional Offices	URO-1	URO-2	URO-3	URO-4	URO-5	URO-6	URO-7	URO-8	URO-9	URO-10	TOTAL
EX	-	-	-	-	-	-	-	-	-	-	-
SES	-	-	-	-	-	-	-	-	-	-	-
GS/M-15	1	1	2	2	2	2	1	1	2	1	15
14	5	5	4	4	3	5	3	-	6	3	38
13	4	4	7	3	9	3	3	5	6	2	46
12	-	2	1	3	1	-	1	1	2	-	11
11	2	1	2	1	1	2	-	-	-	1	10
10	-	-	-	-	-	-	-	-	-	-	-
9	1	2	1	1	3	1	1	-	2	-	12
8	-	-	-	1	-	-	-	-	-	-	1
7	2	3	1	2	2	1	-	2	1	1	15
6	1	1	2	1	1	2	-	-	1	1	10
5	1	-	3	5	2	1	1	1	1	1	16
4	-	1	1	-	2	2	-	-	-	-	6
3	-	1	-	-	-	-	-	-	-	-	1
2	-	-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	-	-	-
Wage Grade	-	-	-	-	-	-	-	-	-	-	-
**Unfilled Positions	-	2	-	1	3	-	3	-	4	-	13
TOTAL FIELD	17	23	24	24	29	19	13	10	25	10	194
TOTAL HQ											331
UMTA GRAND TOTAL											525

** Unfilled positions and totals reflect authorized positions, not OMB/OST imposed ceilings

UMTA
Headquarters Authorized Positions by Grade (Projected)
FY 1985

Headquarters	Administrator	Executive Secretariat	Public Affairs	Chief Counsel	Budget/ Policy	Financial Mngt	Civil Rights	Administration	Research & Technology	Grants Mngt	TOTAL
EX	1	-	-	-	-	-	-	-	-	-	1
SES	2	-	-	1	3	1	-	1	4	2	14
GS/M-15	1	-	1	4	6	4	3	5	16	10	50
14	-	2	-	5	6	-	1	5	22	11	52
13	1	4	1	3	5	8	4	16	12	10	64
12	-	3	-	2	2	3	3	6	9	3	31
11	-	-	-	-	1	4	1	3	3	1	13
10	-	-	-	-	-	-	-	-	-	-	-
9	2	1	1	1	-	1	3	3	1	2	15
8	-	-	-	1	-	1	1	1	3	3	10
7	-	2	-	2	5	5	1	8	6	5	34
6	-	4	1	2	-	1	1	2	5	-	16
5	-	1	-	-	1	4	-	1	-	3	10
4	-	-	-	-	-	3	1	3	2	-	9
3	-	-	-	-	-	-	-	-	1	-	1
2	-	-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	-	-	-
Wage Grade	-	1	-	-	-	-	-	-	-	-	1
**Unfilled Positions	2	-	1	1	2	-	-	-	2	2	10
TOTAL HQ	9	18	5	22	31	35	19	54	86	52	331

** Unfilled positions and totals reflect authorized positions, not OMB/OST imposed ceilings

UMTA
Regional Authorized Positions by Grade (Projected)
FY 1985

Regional Offices	URO-1	URO-2	URO-3	URO-4	URO-5	URO-6	URO-7	URO-8	URO-9	URO-10	TOTAL
EX	-	-	-	-	-	-	-	-	-	-	-
SES	-	-	-	-	-	-	-	-	-	-	-
GS/M-15	1	1	2	2	2	1	1	1	2	1	15
14	5	5	4	4	3	5	3	-	6	3	38
13	4	4	7	3	9	3	3	5	6	2	46
12	-	2	1	3	1	-	1	1	2	-	11
11	2	1	2	1	1	2	-	-	-	1	10
10	-	-	-	-	-	-	-	-	-	-	-
9	1	2	1	1	3	1	1	-	2	-	12
8	-	-	-	1	-	-	-	-	-	-	1
7	2	3	1	2	2	1	-	2	1	1	15
6	1	1	2	1	1	2	-	-	1	1	10
5	1	-	3	5	2	1	1	1	1	1	16
4	-	1	1	-	2	2	-	-	-	-	6
3	-	1	-	-	-	-	-	-	-	-	1
2	-	-	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	-	-	-
Wage Grade	-	-	-	-	-	-	-	-	-	-	-
**Unfilled Positions	0	2	-	-	2	-	2	-	4	-	10
TOTAL FIELD	17	23	24	23	28	19	12	10	25	10	191
TOTAL HQ											331
UMTA GRAND TOTAL											522

** Unfilled positions and totals reflect authorized positions, not OMB/OST imposed ceilings

DISTRIBUTION OF POSITIONS

SENATOR ANDREWS: Last year the House expected UMTA to review the distribution of positions and include the conclusions of the review in the FY 1985 justification (House Report 98-246). All this Committee sees in your justification is one sentence on page 19 saying you've distributed some administrative overhead positions to grant management. Please elaborate on your review of position distribution and explain how you arrived at the decision to increase the Office of Grants Management by 2 positions.

ANSWER: UMTA has thoroughly assessed its staffing distribution and is satisfied with the proposed office allocation for FY 1985. The changes in staffing allocations in the Office of Grants Management reflect the increases in workload in grant management oversight activities. UMTA has shifted two additional positions to the Office of Grants Management to accommodate the workload accompanied by the newly acquired Section 9 and Section 18 program management responsibilities. With this staffing increase, the Office will be able to concentrate on issuing new and updated program and policy guidance to UMTA grantees and project managers on the various programs and ensuring that minimal paperwork burdens are placed on the grantees. These changes support past Congressional concern that UMTA should allocate resources to effectively sustain program delivery.

LAPSE RATE

SENATOR ANDREWS: For FY 1984 and 1985 you're reflecting a 4% lapse rate in employment and yet FY 1983 was at 7%. What leads you to believe the FY 1983 trend will not continue?

ANSWER: The Departmental freeze on employee hires from outside DOT imposed in April 1982 severely restricted our hiring options. Since the freeze was repealed on January 26, 1984, our recruitment efforts have increased and we anticipate a lapse rate of approximately 4 percent.

FTP EMPLOYMENT

SENATOR ANDREWS: What is your current on-board full-time permanent employment by office as reflected on page 19 of the budget?

ANSWER:

UMTA AUTHORIZED/ON BOARD FY-84

	Authorized Positions FY 1984	On Board FY 1984 (4/8/84)
Office of the Administrator	9	7
Office of the Executive Secretariat	19	18
Office of Public Affairs	5	4
Office of the Chief Counsel	22	21
Office of the Associate Administrator for Budget and Policy	31	29
Office of Financial Management	36	35
Office of Civil Rights	19	19
Office of Administration	55	55
Office of the Associate Administrator for Technical Assistance	85	84
Office of the Associate Administrator for Grants Management	50	49
SUBTOTAL	331	321
Regional Offices	194	180
TOTAL	525	501

STAFF TURNOVER

SENATOR ANDREWS: Has UMTA had a high level of turnover of staff in the past few years? If so, why? What percentage of today's employees have the same functions and responsibilities they had in UMTA in FY 1983? And in FY 1982?

ANSWER: UMTA has had a turnover rate of about 10% in each of the past few years. Much of this turnover has been in secretarial and clerical positions which are highly competitive in the Federal sector as well as in private industry. Additionally, our professional staff is skilled with knowledge and experience in the transportation field and Federal transit assistance programs. They are sought by transit organizations, manufacturers of transit goods and services and State and local governments. A number of these employees have left UMTA for responsible positions with the

transit industry or State and local governments. By the same token, we actively recruit for personnel who have transit operations expertise and/or experience at the local level. We consider this exchange to be beneficial to UMTA and the transit industry. The UMTA workforce is more aware of the problems that these organizations face while the transit industry and State and local governments acquire indepth knowledge of Federal transit assistance programs.

We do not maintain statistics as to percentage of employees having the same functions and responsibilities as in previous years. However, as of April 8, 1984, a review of personnel records indicates approximately 92% of on board employees have the same functions and responsibilities as they had in FY 1983 and approximately 80% of on board employees have the same functions and responsibilities as they had in FY 1982.

TRAVEL

SENATOR ANDREWS: Provide for the record the actual FY 1983 and FY 1984 to date obligations for travel (Object Class 21.0), by Office and Region, the number of people and days traveled, and for what purpose.

ANSWER: The data requested is as follows:

Office	Travel Obligations ($ in thousands) FY 1983 (Actual)	FY 1984 (Through 3/31/84)
Office of the Administrator	$ 77.5	$ 27.0
Executive Secretariat	4.6	1.5
Office of Administration	34.9	12.7
Office of Administration (Permanent Change of Station)	27.8	19.5
Office of Chief Counsel	25.5	11.8
Office of Public Affairs	2.0	1.4
Office of Grants Management	84.0	37.8
Office of Budget and Policy	21.0	5.3
Office of Research and Training	155.7	73.0
Office of Civil Rights	34.9	10.5
Office of Financial Management	3.7	2.7
Region 1, Boston	16.1	12.8
Region 2, New York	25.4	21.4
Region 3, Philadelphia	34.2	14.7
Region 4, Atlanta	67.1	35.2
Region 5, Chicago	38.5	25.9
Region 6, Dallas/Ft. Worth	33.1	14.3
Region 7, Kansas City	18.7	10.3
Region 8, Denver	25.4	15.9
Region 9, San Francisco	55.4	31.7
Region 10, Seattle	18.3	12.7
Totals	$ 803.8	$ 398.1

Purpose of Trip	Travel Obligations ($ in thousands) FY 1983 (Actual)	FY 1984 (Through 3/31/84)
Site visits	$ 162.9	$ 70.1
Informational meetings	430.0	219.0
Training attendance	80.8	39.6
Speech/presentation	12.3	4.6
Conference attendance	90.0	44.3
Relocation (Permanent Change of Station)	27.8	19.5
Totals	$ 803.8	$ 398.1

	Travel Status FY 1983 (Actual)	FY 1984 (Through 3/31/84)
Number of Travelers	1,418	744
Number of Days Traveled	4,155	2,141

GSA AND OTHER RENT

SENATOR ANDREWS: Please explain why the Standard Level User Charges increased by 21% in FY 1984, then drops by almost 5% in FY 1985. Are you occupying the same amount of GSA space in all three years? How much of the rent, communications, and utilities obligations for FY 1983, FY 1984, and FY 1985 is for rent?

ANSWER: The FY 1984 Standard Level User Charge (SLUC) estimate submitted by UMTA indicated a 21% rate increase in FY 1983 levels due to GSA's projection that our SLUC rates would escalate. Subsequent to the publication of the budget, GSA was directed by Congress to maintain, to the extent feasible, SLUC rates at FY 1983 levels. Based upon current information from GSA, the total FY 1984 SLUC is expected to be $1,542,000 (excluding Region 1 at the Transportation Systems Center (TSC) in Cambridge, MA). For FY 1985, unless otherwise advised by GSA, we expect the SLUC rates to be held at the FY 1984 levels.

Basically, UMTA has occupied the same amount of office space since FY 1983. The minor additional office space acquired in Atlanta and Los Angeles during FY 1983 was off-set by decreases to space holdings in Philadelphia and Chicago. During FY 1983, the Headquarters sixth floor space assignment was reduced by 3,680 square feet. However, some additional space was acquired in FY 1984 in the Washington, D.C. Headquarters.

The GSA Federal Building Fund SLUC bills include rent and utilities. There are no means to separately identify each cost component. Communications costs are funded separately and are not part of the UMTA SLUC Budget.

SENATOR ANDREWS: How much of the rent is for Washington, D.C. and how much for each Region?

ANSWER: The Washington, D.C. Headquarters SLUC figures are:

FY 1983	$ 959,960.43
FY 1984	$1,088,946.61
FY 1985	$1,090,170.81

The increase between FY 1983 and 1984 is due to rate changes and a change in the method of billing for storage space. The rates used for FY 1984 and 1985 reflect GSA adjustments which are ordered by Congress. The Regional SLUC figures are as follows:

Regional Office	Actual FY 83	Anticipated FY 84	Projected FY 85*
1**	-	-	-
2	$73,245	$83,435	$83,435
3	61,359	60,877	60,877
4	34,262	40,643	40,843
5	72,547	75,685	75,685
6	35,398	36,140	36,140
7	28,452	27,123	27,123
8	26,338	26,016	26,016
9	61,485	62,802	62,802
10	39,546	39,856	39,856
TOTAL	$432,632	$452,777	$452,777

* Projected FY 1985 figures are held at the FY 1984 levels.

** Region 1 is located in the Transportation Systems Center (TSC), a DOT-owned facility in Cambridge, Massachusetts, and is billed separately. The costs for FY 1983 were $47,173; FY 1984 - $47,549, and FY 1985 - $53,500.

FY 1984 PAY SUPPLEMENTAL

SENATOR ANDREWS: According to the budget, the full costs of the January 1984 pay raise is $492,000, of which $246,000 is being absorbed and $246,000 is requested in supplemental appropriations. What level of employment was assumed at the $492,000 level?

ANSWER: The level of employment assumed at the $492,000 cost of the January 1984 pay raise was 506 full-time permanent employees and 20 other than full-time permanent employees.

COST OF FISCAL YEAR 1983 PAY RAISE

SENATOR ANDREWS: Excluding FY 1983 pay supplementals, transfers, or absorptions, what was the FY 1983 cost of the January 1983 pay raise?

ANSWER: The cost for the Fiscal Year 1983 pay raise, effective October 1982, was $949,000 in Fiscal Year 1983.

EQUIPMENT

SENATOR ANDREWS: In last year's request you were assuming $175,000 for equipment in FY 1983. The actual FY 1983 equipment costs (pg. 15 of FY 1985 budget) came in at $461,000 -- an increase of 163%. Why?

ANSWER: The increase in obligations for capital equipment in FY 1983 can be attributed primarily to the need to provide end user computing capability for our professional staff while we were implementing and developing requirements analyses for our major systems. The time frame required to implement the large scale information systems such as the Financial Management and Grants Management systems as well as an Office Automation system mandated that an interim solution to the computing needs was necessary.

A Microcomputer Project team was formed in January 1983, to assist UMTA in developing a strategy for the introduction of microcomputers into the work-place to enable professionals to have some computing capability for local based systems such as project tracking, cost center management, budget modeling, and program planning. The Project Team concluded that 25 microcomputers distributed at strategic locations throughout the Agency would satisfy short-term and urgent information collection and processing needs at the local level. This would provide time for the comprehensive Automated Information System planning and implementation process to occur while continuing to meet program mission requirements.

A second major reason for the increase in the costs attributed to this category was to replace certain items of office furnishings required to maintain appropriate furniture standards. UMTA had not made any major purchases of office furnishings since 1979. These purchases included such necessary items as computer and data terminal tables, typing chairs, credenzas, bookcases, storage cabinets, etc.

A third major purchase was the acquisition of 12 telecopier machines. In an attempt to speed up the grant delivery process by providing a medium for a rapid transmission of documents between the Headquarters and Regional offices, telecopying equipment was placed in each Regional office and two units installed in Headquarters.

SENATOR ANDREWS: Please provide a list of FY 1983 equipment and the month in which the equipment was purchased.

ANSWER: The following is a listing of the major equipment purchases for FY 1983:

10/21/82	COMPUCORP communications hardware/software	$ 8,562
11/18/82	XEROX telecopiers	16,499
11/19/82	Letter quality printer	5,212
12/15/82	ATV Jacquard communications boards	9,941
12/17/82	Epson printer	1,277
01/07/83	Terminal tables	3,534
02/18/83	Computer tapes	4,022

04/08/83	TRS-80's and printers	6,157
04/22/83	Sharp electronic calculators	5,871
05/25/83	Date/time clocks	7,984
05/27/83	Dictation units	5,167
06/10/83	Computer tables	4,516
06/10/83	IBM personal computers	89,245
06/10/83	OKIDATA printers for IBM PC	28,890
06/10/83	Software packages for IBM PC	30,000
06/10/83	Diskettes for IBM PC	2,250
06/10/83	TRILOG high speed printer for IBM PC	5,800
06/16/83	AMDEK disk drive	1,538
06/25/83	IBM selectric typewriters	8,040
06/30/83	Sharp CS-4606 calculators	$ 5,481
06/30/83	Canon calculators	1,629
09/15/83	Peripherals for Apple computer	3,205
09/15/83	Communications board for ATV Jacquard	1,495
09/19/83	IBM personal computer	3,073
	Total	$285,339

The remainder of the purchases under this object class were for miscellaneous office furnishings such as ribbons, diskettes, anti-static mats, bookcases, typing chairs, telephone cabinets, word processing stands, etc.

SENATOR ANDREWS: The budget (pg. 15) estimates $210,00 for equipment in FY 1984. Is this likely to increase --- repeating the pattern from FY 1983?

ANSWER: No, we do not contemplate any major equipment purchases for the remainder of this fiscal year.

CONSULTING SERVICES

SENATOR ANDREWS: According to the justification (pg. 18) no FY 1985 funds are requested for consulting services. Are you projecting FY 1984 obligations for consultants or consulting services? If so, for what and at what cost? What were your FY 1983 costs for consultants or consulting services? Please provide a brief description of the rendered services.

ANSWER: UMTA incurred no costs for Fiscal Year 1983, and contemplates incurring no obligations during Fiscal Year 1984 for consultants or consulting services.

SECTION 5 - FORMULA GRANTS

SENATOR ANDREWS: Please provide the following Section 5 data for the record: The unobligated balance available, start of FY 1983; FY 1983 recoveries of prior year obligations; FY 1983, 1984, and 1985 obligations; unobligated balance available start of FY 1984.

ANSWER: The data requested is as follows: (dollars in thousands)

Unobligated Balance Available beginning FY 1983	$ 565,008
FY 83 Recoveries of Prior Year Obligations	$ 33,006
Net Obligations:	
FY 1983	$1,158,510
FY 1984	$ 281,498
FY 1985	$ 150,000
Unobligated Balance Available beginning FY 1984	$ 606,498

SENATOR ANDREWS: Provide an appropriation history, FY 1979 through FY 1982, by tier.

ANSWER: A summary of the appropriation levels of the Section 5 program is as follows:

SECTION 5 APPROPIRATIONS
(dollars in millions)

Fiscal Year	Tier 1	Tier II	Tier III	Tier IV	Total
1979	850	150	75	300	1,375
1980	850	165	90	300	1,405
1981	850	165	90	350	1,455
1982	791	158	86	329	1,365
1983	680	125	70	325	1,200

SECTION 5 LAPSE
REPORTED FISCAL YEAR 1983

SENATOR ANDREWS: According to the budget (Pg. 56) UMTA has lapsed $3.5 million in FY 1983. Is this all prior year Section 5? If so, in what Fiscal Year was it originally apportioned to the UZAs and States and why are funds not eligible for redistribution?

ANSWER: The 3.5 million shown as lapsed in FY 1983 was very old Section 3 funding that was recovered after its period of availability had expired. Thus, UMTA was required to write-off these recoveries of prior year obligations. This small amount of residual Section 3 Discretionary Grants funding was part of a Treasury symbol which was more than 90 percent Formula Grants funding and was thus included in the Formula Grants budget schedule.

UNOBLIGATED SECTION 5 FUNDS - FOR
PERIOD JULY 1, 1976 to SEPTEMBER 30, 1976

SENATOR ANDREWS: What is the disposition of unobligated Section 5 funds from the period July 1, 1976 to September 30, 1976 (transition quarter) as it relates to Section 307 of the 1982 STAA?

ANSWER: Section 5 funds from the transitional quarter are unaffected by Section 307 of the STAA of 1982, a provision which specifies the lapse date for FY 1975 and FY 1976 funds. The purpose of Section 307 was to alter the lapse date for FY 1975 and FY 1976 funds to reflect the change in the end of the Federal fiscal year from June 30 to September 30. The transition quarter ended on September 30, 1976 and therefore was not and should not have been affected by Section 307.

REAPPORTIONMENT OF SECTION 5 FUNDS
LAPSED TO URBANIZED AREAS BUT NOT TO UMTA

SENATOR ANDREWS: Did UMTA redistribute any of the Section 5 funds prior to passage of the Surface Transportation Assistance Act of 1982? If so, how much, when and from what tiers by Fiscal Year, did the money come from?

ANSWER: UMTA has not redistributed any Section 5 funds lapsed to the urbanized areas.

As a part of the implementation of UMTA's new Financial Management System, it was necessary to analyze and, in many instances, reconstruct project balances and the current status of those projects identified as active.

Redistribution will be made upon completion of this data clean-up/conversion process.

SECTION 3 - BUS FUNDS

SENATOR ANDREWS: Please provide for the record a dollar breakdown of how the bus money has been used and is expected to be used for fiscal years 1983, 1984 and 1985 between bus facilities and bus acquisitions.

ANSWER: In FY 1983, UMTA, under Section 3, obligated $263.5 million for bus acquisitions and $137.3 million for bus facilities. In FY 1984 and FY 1985, we expect local transit agencies to purchase bus vehicles with Section 9 formula funds and, for the most part, use Section 3 bus funds for extraordinary cost items, i.e. bus facilities.

SECTION 3 BUS ACQUISITION FUNDS

SENATOR ANDREWS: In the bus acquisitions area, how much of the funds went to or are expected to go for expansion and how much for replacement (for the years 1983, 1984 and 1985)?

ANSWER: In FY 1983, the majority of vehicles funded were for the purpose of replacement. In FY 1984 and FY 1985, we expect

Section 3 bus funds would not be used, in any significant manner, for bus vehicle purchases. However, if Section 3 funds are allocated for vehicle purchases, it would be for major expansion programs.

SECTION 9 - TRADE IN

SENATOR ANDREWS: How many authorities (and at what dollar level) did authorities participate in the 3 for 2 trade-in provision under Section 9? Does the Administration recommend continuation of this program?

ANSWER: In FY 1984, we anticipate 74 out of 373 areas (20 percent) will trade in $51.7 million of formula capital assistance for $34.5 million of operating assistance. This will result in approximately $17 million being made available for capital discretionary purposes. The Administration does not recommend continuation of this program.

SECTION 9 - BUS FUNDS

SENATOR ANDREWS: Of the Section 9 funds provided in FY 1983 and FY 1984 and those estimated for FY 1985 how many buses were purchased? How many buses in total including the Section 3 funds? (BY Year)

ANSWER: The following is a breakdown of bus purchases during FY 1983 and the projected bus purchases for FY 1984 under the various UMTA programs, including Section 9 and Section 3. We expect a small increase in the number of buses to be purchased in FY 1985 since our budget proposal contains increased Section 9 capital funding.

BUS PURCHASES UNDER UMTA PROGRAMS
(ALL SIZES)

Fiscal Year	Section 3	Section 5/9A/9	Interstate Transfer (Transit)	Federal Aid Urban System	Total
1983	1,714	1,134	3	12	2,863
1984 (est.)	0	2,260	90	37	2,387

NOTE: This chart does not include the small vehicles purchased under Section 16(b)(2) nor vehicles purchased under Section 18 in rural areas.

SAFE HARBOR LEASING

SENATOR ANDREWS: How much additional revenue are transit authorities realizing by participating in the safe harbor leasing program?

ANSWER: On the basis of information provided by our grantees, the sale of safe-harbor leasing benefits on the local share portion of UMTA funded equipment has yielded a total of approximately $42 million. Of this, some 4,100 buses has brought approximately $16.3 million in additional revenue to grantees. With respect to the sale of such tax benefits on rail cars, grantees have earned $7.5 million. And transactions involving both buses (1,272) and rail cars (503) have resulted in earnings of $16.9 million. Finally, the benefits available on the sale of two ferry boats earned approximately $1 million.

SENATOR ANDREWS: What cities now (and at what dollar level) use this financing procedure?

ANSWER: UMTA has information on safe harbor lease transactions involving UMTA-funded equipment for approximately 60 transit systems. The information below, which was provided by the affected transit systems, reflects separate transactions from December, 1981 to February, 1984. A number of the transit systems have been involved in more than one transaction.

GRANTEE:	Massachusetts Bay Transportation Authority (MBTA) (Boston)
AMOUNT EARNED:	$2,908,064.12
GRANTEE:	New Jersey Transit
AMOUNT EARNED:	$1,958,936.86
GRANTEE:	SEPTA (Philadelphia)
AMOUNT EARNED:	$1,473,857.00
GRANTEE:	SCRTD (Los Angeles)
AMOUNT EARNED:	$3,872,314.00
GRANTEE:	Cincinnati
AMOUNT EARNED:	$ 312,769.00
GRANTEE:	Worcester Regional Transit Authority
AMOUNT EARNED:	$ 54,754.40
GRANTEE:	RIPTA (Providence)
AMOUNT EARNED:	$ 96,541.62
GRANTEE:	TARC (Louisville)
AMOUNT EARNED:	$ 305,843.00
GRANTEE:	Bi-State (St. Louis)
AMOUNT EARNED:	$ 591,772.95
GRANTEE:	AC Transit (Oakland)
AMOUNT EARNED:	$ 718,217.92
GRANTEE:	Tucson
AMOUNT EARNED:	$ 63,717.95

GRANTEE: NYC DOT
AMOUNT EARNED: $ 630,037.23

GRANTEE: Santa Clara
AMOUNT EARNED: $1,130,203.98

GRANTEE: MTA (Houston)
AMOUNT EARNED: $ 475,579.97

GRANTEE: New Jersey Transit
AMOUNT EARNED: $1,094,505.00

GRANTEE: New Jersey Transit
AMOUNT EARNED: $ 488,719.00

GRANTEE: NYC DOT
AMOUNT EARNED: $ 697,177.00

GRANTEE: TARC (Louisville)
AMOUNT EARNED: $ 31,590.00

GRANTEE: Tri-Met (Portland)
AMOUNT EARNED: $ 908,562.00

GRANTEE: Pioneer Valley (RTA) (Springfield, Mass.)
AMOUNT EARNED: $ 47,506.39

GRANTEE: Montachusett (RTA) (Mass.)
AMOUNT EARNED: $ 15,800.00

GRANTEE: Worcester RTA (Mass.)
AMOUNT EARNED: $ 7,801.51

GRANTEE: Denver RTD
AMOUNT EARNED: $ 413,293.00

GRANTEE: Miami Valley RTA (Dayton, Ohio)
AMOUNT EARNED: $ 259,927.00

GRANTEE: Maryland DOT
AMOUNT EARNED: $ 300,875.00

GRANTEE: CNYRTA (New York)
AMOUNT EARNED: $ 78,492.00

GRANTEE: Broome County (New York)
AMOUNT EARNED: $ 74,995.00

GRANTEE: Suffolk County (New York)
AMOUNT EARNED: $ 184,643.00

GRANTEE: New Jersey Transit
AMOUNT EARNED: $ 511,735.00

GRANTEE: Chicago Transit Authority ("CTA")
AMOUNT EARNED: $2,173,558.00

GRANTEE: Fort Wayne PTC
AMOUNT EARNED: $ 85,643.00

GRANTEE: Milwaukee County
AMOUNT EARNED: $ 141,605.00

GRANTEE: Transit Authority of Northern Kentucky ("TANK")
AMOUNT EARNED: $ 27,880.00

GRANTEE: MBTA (Boston)
AMOUNT EARNED: $1,203,735.00

GRANTEE: MARTA (Atlanta)
AMOUNT EARNED: $ 285,034.00

GRANTEE: Birmingham-Jefferson County Transit Authority
AMOUNT EARNED: $ 90,316.00

GRANTEE: Cleveland RTA
AMOUNT EARNED: $ 913,184.00

GRANTEE: SEPTA (Philadelphia)
AMOUNT EARNED: $1,950,908.00

GRANTEE: New Jersey Transit
AMOUNT EARNED: $3,750,000.00

GRANTEE: NFTA (Buffalo)
AMOUNT EARNED: $ 446,084.00

GRANTEE: AC Transit (Oakland)
AMOUNT EARNED: $ 475,084.00

GRANTEE: Worcester Regional Transit Authority
AMOUNT EARNED: $ 78,657.00

GRANTEE: OCTD (Orange County)
AMOUNT EARNED: $1,405,906.00

GRANTEE: RGRTA (New York)
AMOUNT EARNED: $ 138,061.00

GRANTEE: Municipality of Anchorage
AMOUNT EARNED: $ 207,688.00

GRANTEE: C-TRAN (Vancouver)
AMOUNT EARNED: $ 106,607.00

GRANTEE: Intercity Transit (Olympia)
AMOUNT EARNED: $ 169,246.00

GRANTEE: Municipality of Metropolitan Seattle
AMOUNT EARNED: $ 956,708.00

GRANTEE: Municipality of Metropolitan Seattle
AMOUNT EARNED: $ 276,946.00

GRANTEE: Spokane Transit Authority
AMOUNT EARNED: $ 172,805.00

GRANTEE: Muskegon Area Transit System
AMOUNT EARNED: $ 27,820.00

GRANTEE: Columbus Ohio Transit Authority
AMOUNT EARNED: $ 283,388.52

GRANTEE: Columbus Ohio Transit Authority
AMOUNT EARNED: $ 251,539.74

GRANTEE: Utah Transit Authority (Salt Lake City)
AMOUNT EARNED: $ 111,413.00

GRANTEE: MTA (Houston)
AMOUNT EARNED: $1,438,466.00

GRANTEE: MTA (Houston)
AMOUNT EARNED: $1,647,474.00

GRANTEE: City of Nashville
AMOUNT EARNED: $ 101,500.00

GRANTEE: Port Authority of Allegheny County (Pittsburgh)
AMOUNT EARNED: $ 245,163.00

GRANTEE: Maryland DOT
AMOUNT EARNED: $ 199,473.00

GRANTEE: SEPTA (Philadelphia)
AMOUNT EARNED: $1,950,908.47

GRANTEE: Penn DOT (Westmoreland County Transit Auth.)
AMOUNT EARNED: $ 10,646.89

GRANTEE: Penn DOT (Red Rose Transit Authority)
AMOUNT EARNED: $ 16,467.62

GRANTEE: Penn DOT (Port Authority of Allegheny County)
AMOUNT EARNED: $ 626,052.56

GRANTEE: Penn DOT (New Castle Area Transit Authority)
AMOUNT EARNED: $ 39,044.15

GRANTEE: Penn DOT (Monroe County Trans. Auth.)
AMOUNT EARNED: $ 13,266.23

GRANTEE: Penn DOT (Luzerne County Trans. Authority)
AMOUNT EARNED: $ 23,366.32

GRANTEE: Penn DOT (Lehigh & Northampton Trans. Auth.)
AMOUNT EARNED: $ 58,523.09

GRANTEE: Penn DOT (Hazleton Transit Authority)
AMOUNT EARNED: $ 33,818.27

GRANTEE: Penn DOT (County of Lackawanna Transit System)
AMOUNT EARNED: $ 12,931.43

GRANTEE: Penn DOT (Berks Area Reading Trans. Auth.)
AMOUNT EARNED: $ 16,562.59

GRANTEE: Penn DOT (Altoona Metro Transit)
AMOUNT EARNED: $ 12,701.39

GRANTEE: Penn DOT (Centre Area Transportation Authority)
AMOUNT EARNED: $ 40,555.83

GRANTEE: City of Charlotte, N.C.
AMOUNT EARNED: $ 138,602.00

GRANTEE: TANK (Kentucky)
AMOUNT EARNED: $ 31,928.00

GRANTEE: Greenville Transit Authority
AMOUNT EARNED: $ 8,000.00

GRANTEE: MBTA (Boston)
AMOUNT EARNED: $ 741,105.00

GRANTEE: Maryland DOT
AMOUNT EARNED: $2,046,368.98

GRANTEE: Penn DOT (Cambria County Transit Authority)
AMOUNT EARNED: $ 4,199.61

GRANTEE: Penn DOT (Erie Metropolitan Transit Authority)
AMOUNT EARNED: $ 58,862.33

GRANTEE: Penn DOT (Lehigh & Northampton Trans. Auth.)
AMOUNT EARNED: $ 7,743.49

GRANTEE: Penn DOT (Port Authority of Allegheny County)
AMOUNT EARNED: $ 784,894.56

GRANTEE: Penn DOT (SEPTA)
AMOUNT EARNED: $ 613,096.52

GRANTEE: Penn DOT (Westmoreland County Transit Auth.)
AMOUNT EARNED: $ 21,283.26

GRANTEE: Penn DOT (City of Williamsport)
AMOUNT EARNED: $ 26,275.03

GRANTEE: Flint Michigan
AMOUNT EARNED: $ 33,630.77

GRANTEE: Metro Transit Comm. (St. Paul, Minn.)
AMOUNT EARNED: $ 153,970.00

GRANTEE: CTA (Chicago)
AMOUNT EARNED: $4,023,640.00

GRANTEE: RTA Regional Transit Authority
AMOUNT EARNED: $1,048,054.00

GRANTEE: Greenville Transit Authority
AMOUNT EARNED: $ 16,000.00

GRANTEE: Greenville Transit Authority
AMOUNT EARNED: $ 2,000.00

GRANTEE: SCRTD (Los Angeles)
AMOUNT EARNED: $1,218,610.00

GRANTEE: Penn DOT (Cambria County Trans. Authority)
AMOUNT EARNED: $ 39,489.10

SENATOR ANDREWS: Does UMTA have estimates as to what cities (and at what dollar level) will participate in the future?

ANSWER: We do not have any such estimates. Each transit system decides on its own whether it will sell safe harbor leasing tax benefits. UMTA generally is made aware of these transactions only when the transaction is about to be finalized. Under the Tax Equity and Fiscal Responsibility Act of 1982, safe harbor leasing of transit vehicles will no longer be available after 1987.

ADVANCED GROUP RAPID TRANSIT (AGRT)

SENATOR ANDREWS: UMTA has requested $44.8 million for fiscal year 1985 for research, training and human resources and specifically excludes a request for advanced group rapid transit (AGRT). Why? What have we learned from prior funding of the AGRT program? What sub-system aplications have been made based on AGRT research?

ANSWER: UMTA opposes funding of the AGRT program because of the high costs to develop AGRT to the point of commercial availability and the expected high costs of construction of new systems. AGRT represents a level of technological sophistication and operational complexity far in excess of that which now exists in transit operations. It is unlikely that transit operators would be willing to move to an AGRT system directly from the current levels of technology being used. Also, no one has ever proven that AGRT will, in fact, achieve any of the benefits which its advocates claim, such as dramatic ridership increases for transit, reduced auto use, slim guideways, etc.

Much of UMTA's effort in the AGRT program has focused upon the control and collision avoidance systems required for operation of an AGRT. This work has resulted in improvements in the state-of-the-art of high data rate microprocessors as applied to transit communications systems, and in a better understanding of the reliability characteristics and safety implications of microprocessor-based control and communication systems. To date, we are not aware of any direct commercial applications of the AGRT technology. However, the Washington Metropolitan Area Transit Authority (WMATA) plans to test on their rail transit vehicles a data recording sub-system that is an outgrowth of the AGRT program. This test is a part of WMATA's efforts to improve its vehicle monitoring and diagnostic system, an activity prompted by the National Transportation Safety Board's recommendations following the fatal crash that occured on the WMATA system on January 13, 1982.

TECHNOLOGY INTRODUCTION

SENATOR ANDREWS: Funding for the Section 3(a)(1)(C) Program, Technology Introduction, is not being requested for FY 1985. Why? What plans does UMTA have for this type of program? What have we

learned from prior year efforts in this area? Please list by project.

ANSWER: In fiscal year 1985, projects involving the introduction of new technology will be funded through the Discretionary and Formula Grants Programs. This will allow the level of the program to reflect more accurately the demand, and will provide greater flexibility in encouraging the adoption of new technologies.

Due to the time required in the competitive selection process, the grant approval process and the grantee procurement processes, many of the approved projects have only recently gotten underway. Formal project and program evaluation will be conducted as the projects are implemented.

RAIL MODERNIZATION FUNDING

SENATOR ANDREWS: Please list for the Committee for the last five fiscal years and projected for FY 1985 the funds provided by years and by city under the Rail Modernization Program.

ANSWER: (Dollars in Millions)

Urbanized Area	FY 79	FY 80	FY 81	FY 82	FY 83
Boston	41.5	52.3	65.0	63.0	69.3
New York	190.6	232.0	285.0	252.5	283.0
Northeast New Jersey	97.0	110.0	116.5	95.8	82.0
Southwest Connecticut	20.0	20.0	20.0	18.0	21.6
Philadelphia	92.6	75.0	90.5	94.4	105.1
Southern New Jersey	5.4	1.4	.6	5.2	24.1
Pittsburgh	28.6	66.9	92.8	81.5	50.0
Chicago	105.0	120.0	130.0	133.4	116.2
Northwest Indiana	.7	15.0	20.0	18.3	-
Cleveland	43.0	33.0	45.0	18.0	9.9
Detroit	.2	2.0	4.5	5.5	3.0
San Francisco	17.4	30.0	54.4	62.1	70.9
Dallas	-	-	-	-	27.2
Baltimore	-	1.4	.8	.5	6.2
New Orleans	-	-	.5	-	-
Lowell, MA	-	-	-	.4	-
Johnstown, PA	-	-	-	.2	1.5
Chattanooga, TN	-	-	-	.1	-
Seattle	-	1.0	-	-	-
Fiscal Year Totals	642.0	760.0	925.6	848.9	870.0

Allocations have not been projected for FY 1984 and FY 1985.

RAIL MODERNIZATION STUDY

SENATOR ANDREWS: When can the Committee expect the report on Rail Modernization needs per Senate Report 96-377? How does UMTA plan to use the information contained in the "Needs" Report? Will this information be used in-house for allocating Rail Mod Money or

does UMTA intend to develop formal criteria that eventually lead to a rulemaking?

ANSWER: The Rail Modernization Study is expected to be completed in late 1984. The results of this study will be used in ascertaining the need for rail modernization funds. In addition, the results will be taken into consideration in the possible development of a set of rail modernization allocation criteria.

INTERSTATE SUBSTITUTION

SENATOR ANDREWS: Please provide for the record UMTA's latest estimate of necessary Interstate substitution funding for FY 1985 and the out-years to complete funding and construction simultaneous with completion of the Interstate Highway System.

ANSWER: Based on current estimates, the remaining cost to complete transit projects is $1.17 billion beginning in FY 1985. At a constant level of $250 million, transit substitute projects would be completely funded by the end of FY 1989.

INTERSTATE FUNDS AVAILABILITY

SENATOR ANDREWS: When were the formula distribution funds made available to the entitlement areas? When were the discretionary funds made available to the entitlement areas?

ANSWER: 50 percent of the formula funds in the FY 1984 Interstate Transfer Program were made available to entitlement areas starting on March 21, 1984, soon after the necessary legislation was passed by Congress. Discretionary funds are being made available as required. Baltimore received $40 million from the discretionary category on November 19, 1983.

URBAN INITIATIVES

SENATOR ANDREWS: A total of $199.5 million has been provided for urban initiative projects cumulatively from FY 1980 through FY 1982. Were all the urban initiative funds obligated? Please list by year and city the amounts obligated in this program. What have you learned from this program? Have all the projects been completed? If not, why not?

ANSWER: UMTA obligated a total of $151.0 million in the Urban Initiatives category for the period FY 1980-82. Additionally, $50.0 million had previously been obligated for this program in FY 1979. The Urban Initiatives program was terminated as a separate category at the end of
FY 1982. All program funds provided were obligated. A listing of Urban Initiatives projects by city and year with obligations is provided in the table below.

We have learned that setting aside funds for a narrow category of projects tends to generate a demand exclusive of an area's normal transit program. Projects of this nature should compete with other transit related projects within the urbanized area.

All projects have been completed or will be completed in the near future. Those remaining to be completed (Boston's South Station project, for example) are large projects whose complexity preclude short implementation schedules.

WMATA METRORAIL SYSTEM

SENATOR ANDREWS: When will the committee see UMTA's report analyzing the prospects for completing the final 25 miles of the 101 mile Washington, D.C. Metrorail systems under the new starts criteria?

ANSWER: A preliminary analysis of the prospects for completing the final 25 miles of the system under the new starts criteria will be completed 90 to 120 days after publication of the new starts policy statement. We are presently collecting some preliminary data for WMATA which will be used to perform a "final run" to determine a preliminary cost-effectiveness index for the H and E routes. However, several assumptions about costs, patronage and a low capital cost bus alternative (TSM) will have to be made in order to rate these two corridors. A more rigorous analysis will require up-to-date capital and operating costs along with patronage data from WMATA. Due to a court injunction, WMATA is presently precluded from undertaking additional work on the southern portion of the Green Line or F Route in Prince Georges County. Until the court injunction is lifted and a decision made on the alignment and terminus for the southern portion of the Green Line, UMTA can not analyze the prospects for completing this segment.

ADMINISTRATIVE EXPENSES

SENATOR ANDREWS: A major part of the Administrative Expense increase is for the Financial Management System ($500,000) and for Office Automation Improvement ($750,000). What exactly is UMTA planning to purchase with these funds? Are these for personnel, consulting services, contractor support or real equipment? Please provide the Committee a detailed justification of this request including a description and the number of pieces of equipment to be purchased and description of the product expected. Also, the Committee would like the same information provided for Fiscal Years 1982, 1983, and 1984 in the areas of Financial Management Systems and Office Automation. What are the total costs expected in these areas for FY 1985; i.e., the FY 1984 base costs plus program increases?

ANSWER: The funds requested for the Financial Management (FMS) and Grants Management (GMS) Systems and for the Office Automation effort are necessary to continue UMTA's planned implementation of an effective management information system (MIS). In response to GAO, Congressional, and Departmental criticism of UMTA's lack of a responsive MIS, UMTA established a Task Force in 1981 to make recommendations to senior management officials regarding the development of a system that would be integrated and responsive to all facets of the organization. The Task Force recommended a three phased approach to the implementation of an integrated MIS:

1. Development and installation of a new financial management system that would be responsive to the Agency's need for financial control;
2. Enhancement of the Grants Management System to enable it to operate under a database management system

in a distributed data processing environment to provide better program management of UMTA's grant delivery system to the transit community; and

3. Installation of the necessary hardware to provide a distributed and integrated MIS that would meet the data, text processing, and decision support needs of the Agency.

In its report of May 2, 1983, the DOT Task Force of the President's Private Sector Survey on Cost Control (PPSSCC) was also highly critical of UMTA's ineffective MIS and recommended that the Agency take immediate steps to design, develop, install and maintain a new computerized system.

The funds expended to date are consistent with the strategy set forth in 1981 and with the PPSSCC's recommendations. In Fiscal Year 1982, the Transportation Systems Center (TSC) was engaged to assist UMTA in defining the requirements and acquiring a new Financial Management System. The tasks included an assessment of the current system to determine whether or not it could be modified to meet UMTA's needs, a requirements analysis for a new system, and an evaluation of various options for acquiring a new system. TSC has also provided contractor support in converting and installing the U.S. Customs Service's FMS (the recommended option), development of a new automated package to support Letter of Credit processing, and the development of an accounting and ADP procedures consistent with the new system.

During Fiscal Years 1983 and 1984, contractor support has been required to support UMTA in the training of personnel with respect to the implementation of the new system, data clean-up, and converting and loading of historical data. Further contractor support has been necessary in modifying and enhancing the baseline system to tailor it to the UMTA environment.

In keeping with our strategy for implementing an integrated MIS, UMTA contracted with TSC in August of 1983 to commence a requirements analysis of our Grants Management System and to recommend a database management system for providing an on-line, interactive query capability for better management of our program funds. The requirements analysis and the feasibility study will be completed in April, 1984. These reports will provide the guidance to convert the present system to one which will be more responsive to the Agency's needs.

The funds requested for FY 1985 will enable UMTA to obtain contractor support for the initial development of a GMS operating under a database management system and to develop the interfaces with the new FMS to provide an integrated management information system.

Also, in keeping with our planned strategy for developing an integrated MIS, a requirements analysis was initiated in FY 1984 to determine UMTA's needs in the area of Office Automation. The preliminary results of that study have verified our assessment that the present hardware is not capable of processing our text and data information requirements in an integrated Office Automation environment. The current equipment consists primarily of stand-a-lone word processors of the mid 1970's vintage and dumb terminals

for our data processing needs. Our Office Automation strategy for FY 1983 and FY 1984 has been to lease any required stand-a-lone word processors so that the lease could be terminated with the implementation of the selected Office Automation system. We also decided to hold the line on the purchase of any dumb terminals to access the mainframe computer.

Recognizing that there was a need to provide the professional workforce with some local computing capability while the major systems were undergoing review, anaylsis and implementation, the Agency formed a Microcomputer Project Team to conduct a study as to how that requirement could be satisfied. The Project Team recommended that 25 microcomputers be purchased and distributed throughout the Agency as an interim measure pending the installation of an Office Automation system in FY 1985. The purpose of this equipment was to permit the development of small microcomputer applications at the local level such as project tracking, cost center management, budget modeling, program planning, etc. The microcomputers were selected with a view towards being integrated into an Office Automation environment to the maximum extent possible. The 25 microcomputers were purchased and installed in August 1983 at a total cost for hardware and software including printers of approximately $150,000. This strategy has been very successful in providing the Agency's professional staff with computing capability for local based systems as distinguished from the national based systems such as Financial and Grants management. It has also provided time for the comprehensive Automated Information System planning and implementation process to occur while continuing to meet program mission requirements.

The plans for the initial installation of an Office Automation system is to replace the present 67 stand-a-lone word processors and the 30 dumb terminals with approximately 125 multi-functional, multi-user work stations. These work stations will be integrated into an UMTA-wide network with our Financial Management and Grants Management systems and will have word and data processing capabilities including electronic mail, graphics and correspondence control. We can anticipate adding more work stations in future years as we assimilate this new technology into the workforce.

The obligations incurred to date for all development efforts for Fiscal Years 1982, 1983, and 1984 are:

Fiscal Year	FMS	GMS	OA	TOTAL
1982	$ 800,000	-0-	-0-	800,000
1983	565,000	300,000	-0-	865,000
1984	500,000	375,000	150,000	1,025,000
Total	$1,865,000	675,000	150,000	2,515,000

In summation, we have embarked upon an aggressive course of action to bring UMTA's much maligned and unresponsive management information system to one which will be completely integrated both from a hardware and software perspective and will be capable of meeting the Agency's information needs of the 1980's and early 1990's. Our

actions have been planned, orderly, and well documented and should result in an information system which will enable us to provide the type of management control and oversight that is required of a funding program of approximately $4 billion. Copies of our Long Range Automated Information System Plans as well as copies of our various requirements analyses, feasibility studies and design documents can be made available to the Committee upon request.

EFFECT OF ROSTENKOWSKI AMENDMENT

SENATOR ANDREWS: At what level of authorization, by your computations, is the Rostenkowski/Byrd Amendment violated? Is this amendment operable at the authorization level or at the obligation level? Please elaborate.

ANSWER: The Byrd Amendment applies to the Highway Account of the Highway Trust Fund. In the case of the Mass Transit Account, the Rostenkowski Amendment requires that if unfunded authorizations (not obligations) at the end of the coming fiscal year exceed anticipated revenues in the subsequent year, then only a portion of the subsequent year's authorization equivalent to the revenue may be made availble for obligation. The point at which the Rostenkowski Amendment must be invoked is a function of not only the authorization level but also of time. For example, if at a certain authorization level, the Rostenkowski Amendment must be invoked in five years, then increasing the authorization level would mean that it would be violated in four or fewer years. Conversely, if the authorization level were reduced, then the Rostenkowski Amendment might not have to be invoked for six or more years or maybe never. As shown in the table below, a $2.43 billion authorization in FY 1985 would cause invocation of the Rostenkowski Amendment and the full authorization could not be released. At an annual authorization of $1.67 billion from FY 1985 to FY 1988, the full $1.67 billion could not be made available for obligation in FY 1988.

Fiscal Year Rostenkowski Amendment Invoked	Annual Authorization Level Required for Invocation (In billions of dollars)
FY 1985	$2.43 or more
FY 1986	$1.93 or more
FY 1987	$1.77 or more
FY 1988	$1.67 or more

These unfunded authorization levels were calculated using the Department of the Treasurey's estimates for motor fuel tax revenues, OMB's interest rate assumptions for fund earnings, and UMTA's Historical Discretionary Grants spending curves.

USE OF SECTION 6 PROGRAM FUNDS FOR ADMINISTRATIVE EXPENCES

SENATOR ANDREWS: On page 31 of the budget you report that "...Program funds are used...to cover costs of publication,

travel and equipment." The Committee provides administrative expenses appropriations which includes such items as publications, travel, and equipment for the whole of UMTA. Is UMTA now using Section 6 program funds for administrative expenses? What is the legal basis for doing this?

ANSWER: UMTA is not now using Section 6 program funds for administrative expenses. As in the past, UMTA has been very careful to use program funds only for project-related purposes.

The statutory basis for the use of funds from certain sections of the UMT Act for administrative expenses is in Section 12(a) of the General Provisions of the UMT Act, which provides in pertinent fact that

> "Funds obtained or held by the Secretary in connection with the performance of his functions under this Act shall be available for the administrative expenses of the Secretary in connection with the performance of such functions."

In addition, under Section 6 of the UMT Act, the Secretary is authorized to undertake mass transit research, development, and demonstration projects "...independently or by grant or contract ...". The Act's legislative history indicates that the use of the word "independently" means that UMTA may use Section 6 funds to conduct research or related projects with its own staff. Thus this language--and that of Section 12(a)--is the legal basis for using Section 6 funds for administrative expenses. UMTA would only use Section 6 funds for administrative expenses, in connection with the performance of Section 6 functions, because Section 12(a) provides that the funds are available "...in connection with the performance of such functions."

FY 1983-85 RESEARCH AND TRAINING SUPPORT COSTS

SENATOR ANDREWS: What are the FY 1983, 1984, and 1985 "support costs" financed from research and training appropriations?

ANSWER: To date, UMTA has not spent any Section 6 money for program support purposes.

VALUE ENGINEERING

SENATOR ANDREWS: According to the Budget (pg. 70), a potential $40 million cost savings was identified by applying Value Engineering (VE) to the Los Angeles Wilshire Corridor Project. What cost savings have been identified through VE studies of the San Jose Guadalupe Project? Are the cost savings first costs or life cycle costs? Have design features resulting from the Value Engineering been incorporated into the L. A. and San Jose Projects? If not, why not?

ANSWER: A pilot Value Engineering review for the Guadalupe Corridor project in Santa Clara County was conducted during December 1983. The review resulted in recommended cost reductions totaling $29.7 million. The $29.7 million consists of $25.3 million in costs that could be identified based on data available at the time and $4.4 million potential

savings that could not be firmly identified due to lack of design documents.

The recommended savings were in first cost dollars.

Design features recommended by Value Engineering have been incorporated into the Wilshire Corridor project. Examples of cost reductions incorporated by the formal value engineering process are: 1) reduce vehicle maintenance shop size, savings $3.0 million, 2) vertically Stack Wilshire/ Fairfax Station, savings $5.0 million, 3) decrease station depth, savings $2.7 million and 4) delete two intermediate power substations, savings $3.0 million.

Examples of design features presently under consideration for inclusion in the Guadalupe Corridor project are: 1) reduce and standardize the size of platforms, potential savings $1.7 million, 2) modify mall surface material, potential savings $1.9 milliom, 3) use an alternative embedded track section, potential savings $5.5 million and 4) reduce excess property from project, potential savings $7.9 million.

VALUE ENGINEERING AND OTHER TECHNIQUES

SENATOR ANDREWS: Were other cost control techniques used in concert with the Value Engineering? If so, please elaborate.

ANSWER: Yes, on the Wilshire Corridor UMTA conducted three design peer reviews between August 1982 and March 1983.

These reviews resulted is an estimated savings to the project of between $300 and $400 million (inflated dollars).

VALUE ENGINEERING COST

SENATOR ANDREWS: What was the total cost of each of the V.E.s (VE)? How much was the Federal share?

ANSWER: Only travel cost were incured in the performance of the Value Engineering reviews. This was the case because the Value Engineering reviews on the Wilshire and Guadalupe Corridor projects were pilot programs conducted with UMTA and industry transit specialists. The industry specialists volunteered their time and were only reimbursed for travel costs by the grantees. This was an allowable cost under the UMTA grants.

Since we did not increase our staff for the pilot program, UMTA only incurred a minimum direct cost for the effort in the form of travel cost.

FUTURE VALUE ENGINEERING

SENATOR ANDREWS: Are you planning any Value Engineering studies in FY 1984 and 1985? If so, for what projects?

ANSWER: Yes, we are planning to do Value Engineering studies in FY 1984 and FY 1985. We will do Value Engineering on new starts which have an estimated cost of over $150 million. The specific projects to be advanced in FY 84 and FY 85 will depend on what new starts are approved.

VALUE ENGINEERING

SENATOR ANDREWS: In response to a record question last year (Senate Hearing, FY 1984, Part 2, Page 702), UMTA stated that cost control procedures incorporating VE would be completed subsequent to completing the Los Angeles VE. What is the status of these guidelines? What criteria will UMTA use for determining when a grantee must use VE?

ANSWER: UMTA is currently obtaining a contractor who will prepare guidelines and conduct training sessions on the use of VE techniques and Construction Management practices that assure construction quality and control costs. Use of these guidelines will complement existing UMTA procedures covering Alternatives Analyses and Peer Reviews.

UMTA plans to require that grantees use VE techniques whenever the estimated cost of a new start construction project exceeds $150 million.

Questions Submitted by Senator Chiles

NEW STARTS RANKING CLUSTERS

SENATOR CHILES: How far down the list will you go? It seems the hottest transit issue these days is the new start criteria. Briefly stated these criteria consist of three major elements -- local match, stable and reliable operating funds, and cost-effectiveness. I understand the criteria will permit you to provide a composite ranking index to list the relative merits of the new start projects. If Los Angeles, for example, shows up at the top of your list and as we all know, Los Angeles would like almost 85 percent of the
400 million, how much of the $400 million would you give Los Angeles? In other words, how far down the list would you go?

ANSWER: Ideally, we would offer letters of intent in rank order to projects which could be accommodated within the authorization estimated to be available for new starts during the program authorization period. If an unusually large project, such as the Los Angeles project, which could consume all available resources were high on the list, we would have to negotiate some reasonable compromise so that other worthy projects could also share the benefits of the program. We would expect to work these situations out in consultation with the congressional committees.

COST-EFFECTIVENESS

SENATOR CHILES: Whose cost-effectiveness figures will you accept? In determining cost-effectiveness, ridership and cost projections are of critical importance. All of us who follow local news know the cost to complete projects. The Washington Metro system seems to change and go up almost every year. Their ridership figures are also in constant flux. Whose cost and ridership projections will you accept and how will you ensure some level of uniformity in the degree of optimism cities may use in projecting cost and ridership figures?

ANSWER: The cost and ridership projections used to evaluate cost-effectiveness are those developed at the local level during alternatives analysis and preliminary engineering. To ensure that these projections are technically sound, and comparable among the candidate projects, we have established major UMTA review points. UMTA and local agencies will then reach agreement on the methods and assumptions used to estimate costs and ridership, and on the results obtained. The results will be published in an environmental impact statement and used to evaluate cost-effectiveness only when UMTA is satisfied with the technical validity of the ridership and cost estimates.

We recognize that there is a margin of error in any quantified method based on forecasts. We try to minimize the effect of these errors in two ways. First, our cost-effectiveness evaluation is based on a comparison of the locally preferred alternative with a lower cost non-guideway alternative. We are interested in the incremental changes in cost and effectiveness, not the absolute level. The errors inherent in forecasting costs and ridership will affect the estimates for each alternative, but will have less of an effect on the difference between the estimates for two alternatives.

Second, we use cost-effectiveness to group projects into clusters with similar cost-effectiveness indices. The rating of projects within each cluster is then further adjusted according to the degree of local financial commitment, including the stability and reliability of local funding sources to operate and maintain the transit system. Thus, we do not intend to make fine distinctions between projects solely on the basis of cost-effectiveness.

METRO-DADE METROMOVER

SENATOR CHILES: There is a great interest in completing the metromover project in Dade County that serves as a downtown circulator for the Metrorail system. As you know since 1975, the Metromover has always been a 4.1 mile project which has been broken into phases by the lack of federal funds. We have completed the downtown loop which is being financed 51.5 percent with non-federal funds. Phase II of this project is critical for a number of reasons.

First, $2.5 billion of private development is already in place along these corridors. Another billion dollars is under construction and $2.7 billion has been announced. Currently Miami's business community is making sizeable long-term investment decisions predicated on the completion of the Metromover.

Second, the project would be constructed by a firm with experience in projects at 7 major international airports in the United States and Great Britian. All of these projects have proven to be successful.

Third, the Dade County Board of Commissioners has created a special assessment district in the area of current Metromover construction and will expand the districts when construction is initiated to complete the Metromover. It seems clear that there will be a stable and reliable source for operating the system and the private sector appears willing to match half the construction cost as they did with Phase I.

Fourth, there seems to be no more cost effective way to serve the Omni and Brickell sectors of downtown Miami. Downtown streets are already clogged and modifying the Metrorail alignment would be

much more expensive and require a great deal more property relocation and acquisition.

Can we expect you support in moving forward to complete the Metromover project consistent with the plans that have been in place since 1975?

ANSWER: The Metro-Dade Transportation Administration has not yet completed all of the planning and project development steps leading up to a Federal funding commmitment. The environmental impact statement process is now underway to fulfill the requirements of the National Environmental Policy Act. Metro-Dade will also need to develop cost-effectiveness information so that we can evaluate the Metromover project in comparison with other candidate projects. Once these steps have been completed, UMTA will be in a position to consider support for the project.

QUARTERLY REVIEWS

SENATOR CHILES: Mr Stanley, I know you spent a great deal of time in the months that you've been UMTA Administrator with the Miami and Buffalo construction problems. I was pleased to see in your statement that you plan to give increased attention to construction management and construction management oversight. In your statement you mention that instructions have been given to Regional offices to assure that all quarterly progress reviews for major projects are held and the quality control and construction management plans are regularly reviewed. I'm also aware of the fact that UMTA only has 20 Field Engineers, compared to the Federal Highway Administration's 525 Field Engineers. When we really got into trouble in Miami, UMTA had to rely on hiring the Morrison-Knudson Engineering firm. Will the quarterly reviews by your regional offices really be adequate to help avoid construction problems or do we need to ensure that UMTA has more field engineers in order to upgrade your capabilities?

ANSWER: We are increasing our emphasis on the oversight of construction projects by reinforcing our existing procedures.

In addition, with new Full Funding Contracts, we will supplement our activities by having the grantee retain, on our behalf, a construction management oversight contractor who will report directly to us. The combination of these actions will ensure that UMTA has adequate oversight of our grantees' construction projects.

MIAMI METRO RAIL: IS SYSTEM READY TO OPEN?

SENATOR CHILES: The Miami press is full of recent stories indicating that the Miami Metro Rail System will open before the end of Spring. In fact there is a meeting scheduled tomorrow in Miami to set for the opening date. Is UMTA now satisfied that the 287 construction deficiencies previously identified have been successfully resolved in order to permit an opening later this spring?

ANSWER: Metropolitan Dade County's efforts during the past year are culminating in significant progress in identifying, analyzing and correcting the design and construction problems that existed one year ago. This progress has been achieved through extensive engineering analyses and testing of girders, piercaps and selected components of Government Center Station. These analyses has resulted in the selection of appropriate repairs where necessary.

We have kept aware of the situation in Miami throug direct contact between our Regional office and thru our onsite contractor Morrison-Knudsen.

While considerable corrective action remains to be accomplished for North Line construction, the appropriate South Line corrective actions are either completed, decided upon as underway.

On March 28 and 29th we held a Project Management meeting with Metropolitan Dade County officials. Based on the information provided to us at the meeting, by MDC, neither we nor our contractor, Morrison-Knudson, are aware of any structural problems which would preclude opening of the South Line by early spring.

We also held a follow-up meeting with Metropolitan Dade County on April 27, at which we reviewed the readiness for operation, of the South Line.

BUS REHABILITATION

SENATOR CHILES: Including Section 3 and 9 funding, I understand that you will be spending approximately $1.4 billion on funding bus projects in Fiscal Year 1985. While there has been a great deal of discussion on criteria for the distribution of the $400 million available for new starts, there seems to be little focus on attempting a better use and distribution of bus money which, on an annual basis, is more than 3 times the amount spent on new starts. For example, GAO has told us that the overall funding formula for rehabilitation of buses discourages transit authorities to economize by rehabing old buses. We've also been told by GAO that UMTA does little to ensure that transit authorities adhere to the manufacturer's recommended maintenance schedule on bus equipment. For example, according to a recent GAO report, 45 percent of buses sampled in 6 major transit systems were late by at least 500 miles for required maintenance. What is UMTA doing to protect its investments in buses, both by encouraging funds to be spent on rehabilitation of buses and on bus maintenance?

ANSWER: UMTA's policy makes bus rehabilitation available to grantees as a viable alternative to the purchase of new buses. The grantee can exercise its own judgement to select the optimum course to follow based on local conditions and requirements. The local match for funding bus rehabilitation is at the same level as for new bus purchases. It has always been an UMTA requirement that equipment and facilities purchased with Federal assistance must continue to be used for mass transit purposes for the life of the investment and that

an eligible grantee for assistance must demonstrate the ability to carry out the project. In addition, Part I of the standard contract between UMTA and an eligible grantee contains the stipulation in Section 5 that the grantee agrees to observe the property management standards set forth in OMB Circular A-102, Attachment N, which states in Section 6d that adequate maintenance procedures shall be instituted to keep the property in good condition.

The Surface Transportation Assistance Act of 1982 adds a statutory requirement which states that UMTA must make a finding, prior to making a Section 3 grant, that a grantee has "sufficient capability to maintain the facilities and equipment" purchased with grant proceeds. UMTA will expect the grantees to have or have in preparation, a complete plan specifying goals and objectives of their maintenance programs.

Recipients of grants under Section 9A and 9 must submit a certification regarding satisfactory continuing control and maintenance of equipment and facilities purchased with Federal financial assistance. Grantee performance will be subject to independent audit. In addition, UMTA will conduct triennial reviews of grantees for compliance with the maintenance requirements set forth in Section 5, 3, 9A and 9.

PHASEOUT OF OPERATING ASSISTANCE

SENATOR CHILES: A great deal of attention has been given to your proposal to phase out operating assistance by fiscal year 1989 by limiting the amount that may be spent in fiscal year 1985 to $545 million, or $330 million less than last year. Since you are not proposing to reduce Section 9 totals this will permit increased capital spending for Bus and Rail modernization. I noticed in your statement the comment that "UMTA will concentrate on rebuilding infrastructure" and that you intend to accelerate rail modernization work. Based on your stated interest in accelerating rail modernization work, do you expect a large percentage of the $330 million will go to rail modernization? I understand that your confirmation hearing before the Senate Banking Committee on November 10, 1983, in response to a question from Senator D'Amato, you indicated that "there is no empirical evidence that operating assistance encourages waste"? Is that still your view? Why has the Administration been so persistent in its efforts to eliminate operating assistance?

ANSWER: Of the $1.8 billion in Formula Grant funds available for capital assistance in FY 1985, UMTA anticipates that approximately $1.1 to $1.2 billion will be used for bus projects and about $600 to $700 million for rail modernization projects. These figures are only projections. The actual usage will be determined at the local level. The $330 million that you mention is a subset of the $1.8 billion. The percentage of the $330 million that will be spent on rail modernization should be roughly the same as the estimated percentage of the $1.8 billion that will be devoted to rail modernization: 33 to 40 percent.

In the full context of my statement at the confirmation hearing, I was making the point that there does appear to be a

relationship between Federal operating subsidies and waste. My reading of the evidence is that Federal operating subsidies have been associated with waste in the sense of permitting costs per unit of service to rise and productivity to decline.

It is for this reason that the Administration has been persistent in its efforts to eliminate Federal operating subsidies. We believe that fare and service decisions, and the subsidy requirements resulting from these decisions, are properly a local responsibility.

Congress has also recognized the need to reduce Federal operating subsidies. In the Surface Transportation Assistance Act of 1982, Congress reduced Federal operating subsidies by 16 percent compared to FY 1982 levels by placing caps on operating assistance that vary by city size. Our revised proposal parallels this concepts in order to address the different dependency of larger and small communities on Federal operating assistance. Our current proposal has also been adjusted to reflect congressional concerns about the pace of the phaseout. The phaseout has been extended to FY 1989.

ELDERLY AND HANDICAPPED RULES

SENATOR CHILES: I noticed in your statement that a notice of proposed rule making was issued last September to develop new rules for the provision of service to the elderly and handicapped. I understand that one of the provisions of that proposed rule is to require 3 1/2 percent of operating assistance funds to be spent on elderly and handicapped service. In view of the fact you're proposing to phase out all operating assistance, will the rule need to be modified to ensure that an adequate amount is spent on elderly and handicapped service? I understand your rule proposes to make all elderly and handicapped eligible for the special service. Many of the transit authorities have argued that there should be some flexibility in the definition of the target population and that not all elderly, for example, would require special transit service. When do you expect to issue the final rule and what accommodations will be possible with regard to the definition of the target population?

ANSWER: The Department of Transportation issued a notice of proposed rulemaking (NPRM) on September 8, 1983. This NPRM was issued pursuant to Section 317(c) of the Surface Transportation Assistance Act of 1982 which requires the rule to include: 1) minimum criteria, which UMTA recipients must meet, for the provision of transportation services to elderly and handicapped persons; 2) provisions for the Department to monitor compliance; and 3) provisions to ensure that elderly and handicapped persons, and groups representing such persons, have an opportunity to comment on recipients' compliance plans.

The NPRM proposes, however, that, in meeting the service criteria, a recipient would not have to spend in excess of a specified cost cap. The Department proposed two cost caps: 1) 7.1 percent of the average annual amount of Federal financial assistance for mass transportation that a recipient received during the current fiscal year and the previous two fiscal years; and 2) 3.0 percent of the recipient's average operating

budget over the current fiscal year and the previous two fiscal years.

An average annual expenditure equivalent to 3.5 percent of a recipient's operating assistance relates to the current Section 504 interim final rule. This rule requires an UMTA recipient to certify that special efforts are being made in its service area to ensure that transportation services are being provided for handicapped persons. Appendix A to the rule provides several examples of compliance approaches that the Department considers adequate special efforts. One of these is annually spending an average amount equivalent to 3.5 percent of the recipient's operating assistance on special service for wheelchair users and semiambulatory persons.

The fact that the Administration favors the phasing out of operating assistance is one reason that the cost caps proposed in the NPRM relate to either total Federal assistance received for mass transportation or to the recipient's operating budget. The proposed cost caps are based on data from the special service system operating in Milwaukee, Wisconsin. This service is well-liked by the elderly and handicapped in the Milwaukee service area and appears to meet many of their needs. Based on this, the Department believes that expenditures up to the cost cap should provide an adequate level of service.

As stated above, Section 317(c) of the STAA of 1982 requires that the new regulation contain minimum criteria, that UMTA recipients would have to meet, for the provision of transportation services to elderly and handicapped persons. The NPRM proposes to give UMTA recipients three options for providing service to meet the criteria. A recipient could: 1) make 50 percent of its fixed-route bus service accessible to elderly and handicapped persons; 2) provide paratransit; or 3) provide a combination of fixed-route accessible bus service and paratransit. Under the NPRM, if a recipient chooses to provide paratransit service, all elderly and handicapped persons, who would be unable, because of age or handicap, to use the recipient's service for the general public, would have to be considered eligible for the paratransit service.

Many transit authorities state in their comments on the NPRM that the proposed broad category of eligible users of paratransit would be unfair and offers little flexibility when compared with the small target population of elderly and handicapped persons who would be served by accessible fixed-route bus service. The Department is sensitive to these comments and is giving them serious consideration as we prepare the final rule. Since the Department is in rulemaking, however, it is not appropriate to respond to any particular issue at this time. The Department plans to issue a final rule later in 1984.

FLORIDA NAACP PROJECT

SENATOR CHILES: I was pleased to see in your statement that UMTA exceeded the 10 percent goal achieving a 14.3 percent contract rate with minority firms. I also noticed that you have entered into a cooperative agreement with the Florida State Conference of NAACPs to help identify barriers to future minority participation. I appreciate your efforts in this regard and would be pleased if you

would tell the Subcommittee what the results have been of the efforts made by the Florida State Conference of NAACPs. Also, please provide for the record a copy of the agreement that UMTA currently has with the Florida State Conference of NAACPs.

ANSWER: This project is currently providing technical assistance to six transit operators, all of which are in Florida. During FY 1983, the project was limited to Gainesville, Daytona, and Tallahassee, and this fiscal year three more cities were added: Orlando, Tampa and Lakeland. Each of these cities previously had records of very low Disadvantaged Business Enterprise (DBE)--formerly Minority Business Enterprise--goals and achievement. In each city, an NAACP subcontractor is working with the transit property by reviewing budgets, showing where DBE contracting and subcontracting opportunities exist, and locating appropriate DBE's for these contracting opportunities.

In Fiscal Year 1983, Gainesville (Regional Transit Authority) established an 8 percent DBE goal and achieved 14.3 percent. This level of accomplishment was attributed to the identification, by the NAACP, of a minority fuel distributor who entered into a contract with the Regional Transit Authority. Similarly, Tallahassee (TALTRAN) set a 6 percent DBE goal and achieved 21 percent. TALTRAN achieved this level because several construction contracts were awarded to minority contractors. In Fiscal Year 1984, each of the six transit operators established goals of 10 percent or greater.

Because of the length of the cooperative agreement, a copy has been provided to the Subcommittee staff.

FUNDING DATA

SENATOR CHILES: There seems to be some disagreement within UMTA as to what the actual splits are in total spending devoted to bus, rail mod and new starts. For the record, please provide -- starting with FY 1980 -- the total spent for bus, rail mod and new starts from Sections 3, 9A and 5.

ANSWER:

(Dollars in Millions)

	FY 1980	FY 1981	FY 1982	FY 1983	TOTAL
BUS CAPITAL	836.3	926.2	829.7	1,117.8	3,710.0
Section 3	(405.0)	(564.9)	(530.7)	(507.0)	(2,007.6)
Section 5	(431.3)	(361.3)	(299.0)	(301.6)	(1,393.2)
Section 9A	NA	NA	NA	(309.2)	(309.2)
RAIL MODERNIZATION	760.0	925.6	848.9	1,110.1	3,644.6
Section 3	(760.0)	(925.6)	(848.9)	(870.0)	(3,404.5)
Section 5	(0)	(0)	(0)	(0)	(0)
Section 9A	NA	NA	NA	(240.1)	(240.1)
NEW STARTS	410.0	393.0	238.5	276.7	1,318.2
Section 3	(410.0)	(393.0)	(238.5)	(263.8)	(1,305.3)
Section 5	(0)	(0)	(0)	(0)	(0)
Section 9A	NA	NA	NA	(12.9)	(12.9)
TOTAL	2,006.3	2,244.8	1,917.1	2,504.6	8,672.8

Questions Submitted by Senator D'Amato

QUALITY ASSURANCE

SENATOR D'AMATO: Publicity has been given to alleged construction problems with the Buffalo and Miami rail projects. I find the whole issue of Quality Assurance, and UMTA's role in project oversight, to be interesting. It would appear to me that, not only are the grantees not fully equipped with the knowledge and personnel to handle all of the complexities of such major construction problems, but UMTA as well does not possess such resources.

On reflection, I would have to agree with my House colleague, Chairman Lehman, that if you finance 80% of a project, you bear some large part of responsibility for the project. Obviously, there are many ways of responding to such responsibility. In both Buffalo and Miami, people are obviously talking about the need for quality assurance during construction.

I am concerned, however, about the need for you to exercise quality assurance before construction begins. I am talking, first, of a more formal role for your "peer review" process, whereby people in UMTA and the transit industry gather to share their ideas and experiences while a grantee is completing the engineering and design of a new project; and second, I am talking of the need for you to more rigorously review the scope of each major project to ensure that we get a quality product from our investment of Federal funds. I cannot understand how, in the case of Buffalo, UMTA could sign off on a $360 million Federal commitment with no provision for assuring that start-up activities and costs which are so vital to the delivery of reliable and safe service, could have been omitted. Such omissions just cannot be tolerated.

Please tell us your thoughts and plans for quality assurance for major projects, both during their design stage and during their construction stage?

ANSWER: As you know quality is an integral part of the design and construction phases of a project. As part of our effort to increase the assurance that Federal projects maintain a high level of quality we are emphasizing the importance of the quality function as part of our existing procedures, such as in Quarterly Reviews. In addition, when we issue new Full Funding Contracts, we shall require the grantee to retain a construction management oversight contractor to ensure that quality is maintained through out the project life. We believe that these efforts shall result in a high level of assurance that UMTA's projects are designed and constructed to acceptable quality standards.

HISTORICAL ALLOCATION OF PLANNING FUNDS

SENATOR D'AMATO: Do you intend to allocate Section 8 funds in roughly the historical shares of 85% to MPO's, 10% to states and 5% for discretionary purposes?

NOTE: This has been the historical share until 1983, when Administrator Teele cut the MPO share drastically, and increased his

Headquarters' discretionary share. Several New York MPO's had their planning funds reduced 25-50%. Mr. Teele promised you last year that in FY 1984 UMTA would return to 85% for MPO's.

ANSWER: In fiscal year 1985, we intend to distribute $40 million to Metropolitan Planning Organizations (MPO's), $5 million to the States, and retain $5 million for discretionary use by the Administrator. This equates to 80 percent to the MPO's; 10 percent to the States and 10 percent for discretionary purposes.

This is consistent with the historical share of funding allocated to MPO's which, with the exception of FY 1980, has ranged between 80 percent and 83 percent since FY 1977.

SECTION 8 NATIONAL EMPHASIS AREAS

SENATOR D'AMATO: To what extent are MPO's required to pursue the national priorities identified in your budget document?

NOTE: There are some rumors that UMTA is dictating the amount of planning funds to be spend on the priorities (private sector service expansion; transit service planning; private sector financial participation; financial management planning; and minority business enterprise).

ANSWER: In the past, the negotiation of the national emphasis areas has caused some misunderstanding. The national emphasis areas are simply the identifying of subjects of priority to the Administration and the transportation community which need and deserve some attention in the planning process. The appropriate dollar amounts to be expended on these priorities and the scopes of work for the emphasis areas should be the subject of negotiation. We do not require that a fixed proportion of an MPO's planning budget be devoted to particular emphasis areas or priorities and do not require any "standard" scope of work. We do employ a flexible negotiation style in developing an appropriate planning work program in cooperation with the States and MPOs.

REDUCTION IN OPERATING ASSISTANCE

SENATOR D'AMATO: How does UMTA expect local transit authorities to maintain service and hold down fares with this huge cut?

ANSWER: UMTA does not believe that transit authorities would be able to maintain current service and fare structures under a phaseout of operating assistance. We believe that fare and service decisions and the subsidies that result from these decisions, should be a local responsibility. We believe, however, that local transit operators can cope with the phase-out of Federal operating subsidies without major disruption. Based on the results to date, a number of transit operators have reduced service on little used routes and raised fares without losing riders. In 1983, as the first significant reductions in Federal operating assistance occurred, we have seen a slight increase in fares (about 4 percent), a slight decrease in service (about 2 percent) and an increase in ridership of 5 percent for the nation as a whole.

The cut that we propose is not huge. Federal operating subsidies represented an estimated 11.5 percent of total transit operating costs in FY 1983. Our proposal has been

revised to reflect congressional concern about the pace of the phase-out. The phase-out has been extended to FY 1989. Our proposal also addresses the different dependencies of larger and smaller communities on Federal operating assistance by placing caps on operating assistance that vary by city size. This parallels congressional action in the Surface Transportation Assistance Act of 1982.

PHASE-OUT OF OPERATING ASSISTANCE

SENATOR D'AMATO: Since Federal operating assistance only represents about 13 percent of total transit system revenues (per the American Public Transit Association - APTA), why is UMTA attacking this modest, but essential, component of the Federal commitment to transit?

ANSWER: Because the level of Federal operating subsidies is relatively small, we believe that transit systems can cope with the phase out of Federal operating subsidies without major disruption. For example, in 1983, as the first significant reductions in Federal operating subsidy occurred, we have seen a 5 percent increase in ridership compared to 1982 for the nation as a whole.

We believe that local officials should make fare and service decisions and pay for the subsidies that result from these decisions. When Federal operating subsidies cushions local fare and service decisions, productivity and efficiency tend to decline, fares tend to decline in real terms, and operating costs tend to increase.

HIRING TRANSPORTATION EXPERTS

SENATOR D'AMATO: What is UMTA's current policy regarding the hiring of personnel with expertise in the transportation field?

ANSWER: UMTA continues its successful policy of making every attempt to recruit employees who have had prior transportation-related experience. For example, a significant number of UMTA mid- and senior-level managers have prior transit industry or State and local government experience. By the same token, there have been a significant number of employees who have left UMTA for highly responsible positions with the transit industry or State and local governments throughout the country. Some examples are:

Current Staff:

Position in UMTA	Prior Position
Director, Office of Capital and Formula Assistance	Manager, Marketing and Service Planning, RTA, Chicago
Program Analyst	Senior Planner in Operations, MBTA

Director, Information Services Staff	Transportation Engineer, West Bay RTA
General Engineer	Project Design Engineer N.Y. City Transit Authority
Regional Administrator, Seattle	Chairman, Transit Committee, Municipality of Metro, Seattle
Current Position and	Position Held in UMTA
Assistant General Manager of Operations, WMATA	Regional Administrator
General Manager, WMATA	Equal Opportunity Officer
Director, New Jersey Transit	Associate Administrator for Grants Assistance
Assistant Director, Rail Transit Department, Port Authority of New York and New Jersey	Deputy Associate Administrator for Transit Assistance
Chief of Planning and Coordination, Metro Dade Transit Administration Dade County, Fla.	Director of Civil Rights
Assistant to General Manager, WMATA	Engineer
Executive Assistant to Director of Metro Dade Transit Administration, Dade County, Fla.	Transportation Representative

In addition, it should be noted that employees in the positions of Associate Administrator for Grants Management, Deputy Associate Administrator for Budget and Policy, Associate Administrator for Technical Assistance, Director of Planning, and Deputy Associate Administrator for Engineering and Applications have each had over 10 years of experience in responsible UMTA positions. This wealth of experience has had a significant impact upon carrying out UMTA's mission.

The hiring of personnel from the transit industry or State and local governments has sensitized the UMTA workforce to problems that these organizations face, and has allowed the Agency to identify and implement improvements to our programs. In turn, UMTA employees who have accepted positions in the transit industry or State and local governments have had a positive impact on the receiving

organization's knowledge of Federal transit assistance programs.

It is also noteworthy that we have used the Intergovernmental Personnel Act (IPA) to enhance the knowledge and skills of the transit industry and State and local governments of UMTA activities while also benefiting UMTA. During the past 5 years, we have had 18 IPA's; 6 to UMTA and 12 to the transit industry or State and local governments. Examples are:

From UMTA to:

New Jersey Department of Transportation

Pierce County Public Transportation Benefit Area, Tacoma

Metro Rail Project, Southern California Rapid Transit District

Department of Transportation and Public Works of Puerto Rico

Tri-County Metropolitan Transportation, District of Oregon

To UMTA from:

Greater Cleveland Regional Transit Authority

Miami Valley Regional Planning Commission

Port Authority of New York and New Jersey

Tri-County Metropolitan Transit, District of Oregon

QUESTIONS SUBMITTED BY SENATOR LEAHY

SECTION 18 FUNDING LEVEL

SENATOR LEAHY: I have been a strong supporter of the Section 18, Rural and Small Urban Transportation Program since its earliest days as a demonstration program. There are four existing Section 18 systems in Vermont, serving the areas of Randolph, Rutland, White River Junction, and Brattleboro. These systems provide affordable and dependable transportation for poor, elderly, and handicapped people in, and around, these communities. In addition, several towns in Vermont are considering the start-up of badly needed rural transportation systems, including Bennington, Springfield, Middlebury, and Newport.

I feel strongly that the Section 18 program should be funded at the Congressionally authorized level of $86.4 million for FY 85. Vermont's share of this total would be approximately $422,000. This level of funding, while less than the amount appropriated in 1983, would actually have to fund a larger range of systems in Vermont. I feel this is an extremely modest request in light of the number of people served and the need for rural transportation systems in Vermont, and nationwide. The Section 18 program has been a demonstrated success. I am interested in your comments as to why the program should not be maintained at its present authorized level.

ANSWER: The funding level for Section 18 is statutorily fixed at 2.93 percent of the amount appropriated for UMTA's Formula Grants program. The Department's proposed budget for the Formula Grants program for FY 1985 requests $2.39 billion of which $70 million would be available for the Section 18 program. The total appropriation request is developed in consideration of the needs of urban as well as non-urban areas and takes into account funding available under other mass transit programs and Federal budgetary constraints.

CAPITAL GRANTS PROGRAM

SENATOR LEAHY: Although the $1,100 million level proposed for these programs is the same level previously authorized by Congress, I am concerned that it will not meet Vermont's needs. When the Vermont Agency of Transportation has inquired as to how UMTA will receive applications for UMTA discretionary assistance for bus and bus facilities, they have been cautioned that few funds will be available.

In the Administration's FY 1985 budget, most of the Capital Grant total, some $1,020 million, is recommended for three categories of projects:

* $520 million for (light) Rail Modernization
* $400 million for New Systems (typically light rail)
* $100 million for Bus and Bus Facilities

I urge that you consider revising these project category amounts to more equitably apportion Capital Discretionary authority for Bus and Bus Facilities projects. Consistent with recent testimony by the American Public Transportation Association to the House Committee on Public Works and Transportation, apportionments should be considered as follows:

Rail Modernization	$528.4 million
New Systems	$275.4 million
Bus and Bus Facilities	$216.2 million

ANSWER: Section 9 is designed to fund normal bus and bus facility needs. Section 3 discretionary funds are available for extraordinary bus capital needs. While limited funds are available, UMTA will consider applications in those cases where Section 9 funds are not adequate for some reason.

We feel that most of the Nation's bus system needs can be reasonably accommodated by the Section 9 program since it will provide approximately $1.1 to $1.2 billion for this purpose. This compares to a pre-STA Act level for this category of about $850 million ($500 million from Section 3 plus $350 million from Section 5, Tier IV).

We are not aware that APTA proposed apportioning Section 3 funds as described. The latest APTA proposal we know of set extraordinary bus funds at 10 percent of Section 3 capital grants, $102 million, virtually identicial to the UMTA proposal.

SECTION 16(b)(2) FUNDING

SENATOR LEAHY: The Section 16(b)(2) Elderly and Handicapped vehicle acquisition program has been successful in meeting its objective of providing special vehicles for the transportation of the elderly and handicapped. UMTA should be justifiably proud of its efforts in this area. The program has been especially effective and popular in Vermont. In 1983, the Vermont Agency of transportation received four to five times the number of requests for Section 16(b)(2) vehicles than could be purchased under its apportionment.

Congress has authorized that UMTA can use up to 3.5% of the Capital Grant Program total for this important program. Thus, under the $1,100 million total Capital Grant Program proposed in the Administration's budget for FY 85, $38.5 million could be used for the 16(b)(2) program. However, the Adminstration's budget also proposes that the program be level funded at $25 million for FY 85.

This level funding is inadequate in light of the fact that the cost of the widely used maxi-van has increased by 25% of the past three years. The effect of continued level funding will be that fewer vehicles will be purchased under the program and its effectiveness will be signficantly diminished.

I feel that the program has been a demonstrated success and warrants funding at the Congressional-authorized level of $38.5 million, rather than the $25 million level proposed by the Administration. Your comments on this request would be appreciated.

ANSWER: The funding level proposed by the Department takes into consideration budgetary constraints and reflects a continuation of previous funding levels. Many of the States, including Vermont, have indicated that the demand for Section 16(b)(2) funds exceeds the current funding level. A program level of $38.5 million would assist many States in meeting those demands which they must now turn down.

SUBCOMMITTEE RECESS

Senator D'AMATO. This subcommittee stands in recess and we thank you.

[Whereupon, at 11:16 a.m., Wednesday, April 11, the subcommittee was recessed, to reconvene at 10 a.m., Tuesday, April 24.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, APRIL 24, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:15 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Chiles.

DEPARTMENT OF TRANSPORTATION

U.S. COAST GUARD

STATEMENT OF ADM. JAMES S. GRACEY, COMMANDANT

ACCOMPANIED BY:
VICE ADM. BENEDICT L. STABILE, VICE COMMANDANT
REAR ADM. PAUL A. YOST, CHIEF OF STAFF
CAPT. GENNARO S. DUCA, CHIEF, PROGRAMS DIVISION
CAPT. ROBERT T. NELSON, CHIEF, BUDGET DIVISION

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

Today, we are hearing from the Coast Guard. We have with us Admiral Gracey, the Commandant, and his fellow officers.

Senator Chiles, do you have an opening statement?

Senator CHILES. Mr. Chairman, I have just a couple of brief opening remarks, if I may.

Senator ANDREWS. Go ahead.

OPENING REMARKS OF SENATOR CHILES

Senator CHILES. I want to join with you in welcoming our panel before us, Admiral Gracey and the other officers. I think that it is fair to say that this subcommittee has supported the Coast Guard and tried to help the Coast Guard to obtain all of the necessary funding to meet its defense and civilian requirements.

I think it is a forgotten fact that the Coast Guard is a branch of the Armed Forces during times of war, and falls under the command structure of the Navy. Because of the many new missions that have been as-

signed to the Coast Guard over the last several years, and because of the increasing age of the Coast Guard's capital equipment, along with Senator Andrews, Senator Stevens, and others, I have worked toward what have been successful efforts in providing the Coast Guard with the additional capital funding.

In fiscal year 1982 and again in fiscal year 1984, we were successful in providing the Coast Guard with an additional $300 million through transfer from the Navy to the Coast Guard capital equipment account. So that is a total of $600 million in 2 years of doing that. These additional funds certainly should help the Coast Guard overcome problems associated with its aging fleets of ships and aircraft.

It is a growing concern of mine, however, as to whether or not the Coast Guard is adequately staffed to acquire this new equipment in a timely and efficient manner. The unobligated balance in the capital account is almost $850 million compared to a 12-year average of about $185 million.

One procurement for eight patrol boats has been pending for 23 months, and the Coast Guard has still not even let the contract. A procurement for 13 new cutters is now 15 months behind schedule, and the procurement for the new short-range recovery helicopter is over a year behind schedule. I hope we can learn this morning what the Coast Guard's true requirements are in regard to its procurement operations.

Again, the chairman, Senator Stevens, myself and others provided this additional funding because we had an emergency, because we were concerned in trying to fight the war on drugs and the interdiction, and the additional missions that have been placed on the Coast Guard, and we felt that we had to get additional assets into the field.

Mr. Chairman, another concern of mine is the proposal to cut 755 positions, with 176 of these in the law enforcement area. It is curious to me, for example, I note that with this 176 reduction in law enforcement, the Coast Guard is projecting a 26,600-hour increase in law enforcement cutter operations. It seems that the Coast Guard has found the magic of doing more with less.

Mr. Chairman, these are some of the items that we can cover in this morning's hearing.

Admiral Gracey, I again would like to welcome you. I look forward to hearing your frank and honest assessment of the several matters that we will discuss this morning.

OPENING REMARKS OF SENATOR ANDREWS

Senator ANDREWS. Admiral, Senator Chiles has stated it well. It had been, of course, the hope of this committee, backed by the funding that we put in our bill, that some of your capital acquisitions would be funded directly from DOD, since they revert to DOD in times of war.

We think that these ships should be operated by the Coast Guard for a number of diplomatic reasons, as well as the fact that you really have the capability to operate them, but it is a lot easier to have a Coast Guard vessel, with that orange stripe on it, going into a port in the

Caribbean, than a U.S. Navy vessel, and you know this. This is why we would hope that we can facilitate this concept.

We also feel and are concerned that some of the regular Navy operational equipment like the Hawkeye surveillance plane—we will talk about that—would give you a leg up in trying to spot and interdict drug smuggling boats and planes.

If what the manufacturer tells us is true on the Hawkeye, if what the Navy tells us is true about the need for the Hawkeye, which costs a lot of money per copy, it would make sense to have that Hawkeye turned over to the Coast Guard in doing some of this drug interdiction, instead of just doing its training on tin cans and other types of targets.

We have come to an impasse between the Coast Guard and the Navy. I don't know whether the Navy figures that having their operators in training on a Coast Guard Station would represent hardship quarters and hardship payments that they would need to have, or where the standoff is.

We realize that they are the senior service, but we hope that in your testimony, you can devote a little bit of time, or else we will do it in questioning, to whether you feel that you have really maxed out in the ability to spot and interdict these planes and ships, and whatever else, that are doing this smuggling that we want to stop.

So much for opening. Let me assure you that this subcommittee stands totally behind what Senator Chiles has said. He is our leader, really, on the Coast Guard, and then Senator Stevens fills in a little bit.

Somehow or another, there aren't too many Coast Guard vessels in the State of North Dakota, but we do have a Coast Guard Station in the State of North Dakota, as you know so well. You know that North Dakota has to have at least one Coast Guard Station.

Admiral GRACEY. We paint that station every year, Mr. Chairman.

Senator ANDREWS. Sure, we paint it, and we do all kinds of things with it, and it helps all of those ships at sea, too. [Laughter.]

We have a number of our colleagues who are deeply interested in just what you are doing, making sure that your search and rescue, and drug interdiction and other operations are kept at full force, Admiral.

So you are in friendly climate here. We are looking forward to hearing your testimony, and we will look forward to the opportunity of questioning.

You may proceed, and let me assure you that your entire statement will be in the record as though given in its entirety. You can summarize or whatever you feel would be most effective.

STATEMENT OF ADMIRAL GRACEY

Admiral GRACEY. I would like to summarize. Before I do, though, I would like to comment that if any of our ships show up in North Dakota, we are going to be worried about the commanding officer. We think that he may be a little off-course.

Senator ANDREWS. If he can make it to North Dakota with one of your ships, you had better pat him on the back, he is one fine mover. [Laughter.]

Admiral GRACEY. He has found out how to do something that we don't know how to do right now.

We are most appreciative of your comments, Mr. Chairman, and your comments, Senator Chiles. We are very appreciative of your support over the years. You have, indeed, had our best interests at heart, and this has, indeed, been a friendly forum. We appreciate that very much.

I would, as I said, like to summarize my opening statement, and we will provide the full text for the record, sir.

INTRODUCTION OF STAFF

You have noted that I am here. Let me introduce my staff with me, if I may. On my far right is the Vice Commandant, Vice Adm. Ben Stabile. On my far left is my Chief of Staff, Rear Adm. Paul Yost, who will become, as of about July 1, the Commander of the Atlantic Area in New York. The Chief of the Programs Division is on my right, Capt. Steve Duca, and on my left is the Chief of the Budget Division, Capt. Bob Nelson.

It is always a pleasure to be here and be before you, as I said, this time to present the Coast Guard's budget for fiscal year 1985.

BUDGET REQUEST

Our total request is for $2.6 billion. It supports the priority objectives of the President in law enforcement and national defense, while also supporting the Secretary's initiatives in safety. This request represents an increase of $80 million over our regular 1984 appropriations, excluding the $300 million that you arranged to have us receive.

The budget request provides for a net reduction of 513 military billets and 242 civilian positions. It is anticipated that most of these reductions will result from the increased use of contracting with the private sector for services now performed by Coast Guard personnel.

The operating expenses request of roughly $1.75 billion provides for a net increase of $67 million over the amount already appropriated, and supplemental appropriations requested for fiscal year 1984. These funds provide for the increased cost of doing business, the operation of new or expanded facilities, and modest program enhancements.

Our acquisition, construction, and improvements appropriation request of $360 million will permit the Coast Guard to acquire new or expanded capabilities, as well as to accelerate renovation and modernization programs for older vessels, and to continue upgrade of our shore facilities.

We will put major emphasis on modernization of our seagoing buoy tenders and on the 210-foot midlife maintenance availability, and the 378-foot cutter fleet renovation and modernization programs. We will also make some improvements at our multimission shore facilities and to our aids to navigation.

In the alteration of bridges appropriation, we are asking $5.2 million to continue alterations on the Willamette River Bridge in Portland, Oreg.

Our request for retired pay of $334.8 million funds an average of 23,913 retirees.

Our Reserve training request of $58.8 million will support an increase in the Selected Reserve from 12,000 to 12,500.

We will continue to emphasize increased participation in readiness exercises and in other training. In fact we are undergoing a major overhaul in our approach to our readiness.

The research, development, test, and evaluation request of $23.5 million is $1 million more than the 1984 level, and will allow us to continue our ongoing programs, and to start into some new ones.

For the national recreational boating safety and facilities improvement fund, we are asking a program level of $15 million, which is the full amount authorized by law for the boating safety aspects of the program.

The Secretary has decided not to seek new legislation to permit user charges for certain Coast Guard services. Instead, existing authority will be used for a user program which is expected to yield about $10.5 million annually.

PREPARED STATEMENT

Mr. Chairman, those are the highlights of our budget request, and I am sure you will want to get into more detail. I will be more than happy to answer your questions and expand on your earlier comments, whatever part of them you would like me to expand upon.

[The statement follows:]

STATEMENT OF ADM. JAMES S. GRACEY

MR. CHAIRMAN, I AM PLEASED TO HAVE THIS OPPORTUNITY TO MEET WITH YOU AND THE OTHER DISTINGUISHED MEMBERS OF THIS SUBCOMMITTEE TO REVIEW AND DISCUSS THE COAST GUARD FISCAL YEAR 1985 BUDGET REQUEST. ACCOMPANYING ME ARE THE VICE COMMANDANT, VICE ADMIRAL BENEDICT STABILE, MY CHIEF OF STAFF, REAR ADMIRAL PAUL YOST, THE CHIEF OF THE PROGRAMS DIVISION, CAPTAIN GENNARO DUCA, AND THE CHIEF OF THE BUDGET DIVISION, CAPTAIN ROBERT NELSON.

THE OVERALL REQUEST OF $2.6 BILLION IN BUDGET AUTHORITY SUPPORTS THE PRIORITY OBJECTIVES OF THE PRESIDENT IN LAW ENFORCEMENT AND NATIONAL DEFENSE WHILE ALSO SUPPORTING THE SECRETARY'S INITIATIVES ON SAFETY. THIS REQUEST REPRESENTS AN INCREASE OF $80 MILLION OVER OUR REGULAR 1984 APPROPRIATIONS.

THE BUDGET REQUEST PROVIDES FOR A NET REDUCTION OF 513 MILITARY BILLETS AND 242 CIVILIAN POSITIONS. IT IS ANTICIPATED THAT MOST OF THESE REDUCTIONS WILL RESULT FROM THE INCREASED USE OF CONTRACTING WITH THE PRIVATE SECTOR FOR SERVICES NOW PERFORMED BY COAST GUARD PERSONNEL. THIS INCLUDES CONTRACTING OUT SUPPORT SERVICES UNDER THE CRITERIA OF OMB CIRCULAR A-76 AND CONTRACTING OF SELECTED SHORT RANGE AIDS TO NAVIGATION FUNCTIONS. OTHER PERSONNEL INITIATIVES INCLUDE AN ADMINISTRATION PROGRAM TO REDUCE THE NUMBER AND GRADES OF SENIOR CLASSIFIED CIVILIAN EMPLOYEES THROUGH ATTRITION, A ONE-TIME REDUCTION TO BETTER ALIGN THE CIVILIAN LAPSE RATE BETWEEN AUTHORIZED POSITIONS AND AUTHORIZED EMPLOYMENT LEVELS, PARTIAL CIVILIANIZATION OF VESSEL TRAFFIC SERVICES AND FURTHER CIVILIANIZATION OF COMMERCIAL VESSEL INSPECTORS. ALL OF THESE PROGRAMS ARE INTENDED TO INCREASE STABILITY IN SELECTED PARTS OF OUR MISSIONS AND REDUCE THE SIZE OF THE FEDERAL WORK FORCE AS WE SEEK TO USE CIVILIAN PERSONNEL AND CONTRACT SERVICES FOR SELECTED OPERATIONAL AND SUPPORT FUNCTIONS FOR WHICH THEY ARE PARTICULARLY WELL SUITED.

THE SECRETARY HAS DECIDED NOT TO SEEK NEW LEGISLATION TO IMPLEMENT USER CHARGES FOR CERTAIN COAST GUARD SERVICES. INSTEAD THE EXISTING USER CHARGE AUTHORITY OF 31 USC 9701 WILL BE USED FOR A MODEST USER FEE PROGRAM THAT WILL YIELD AN ESTIMATED $10.5 MILLION ANNUALLY.

OPERATING EXPENSES

THE OPERATING EXPENSES APPROPRIATION REQUEST OF $1.759 BILLION IN BUDGET AUTHORITY PROVIDES FOR A NET INCREASE OF $67 MILLION OVER THE AMOUNT ALREADY APPROPRIATED BY CONGRESS AND SUPPLEMENTAL APPROPRIATIONS REQUESTED FOR FY 1984. FOR THE FIRST TIME, $44.9 MILLION IN FUNDING FOR THIS APPROPRIATION WILL BE DERIVED FROM BALANCES OF THE FISHERIES LOAN FUND WHICH IS ADMINISTERED BY THE DEPARTMENT OF COMMERCE.

WITHIN THE TOTAL AMOUNT REQUESTED, $82.4 MILLION IS REQUIRED TO FUND THE INCREASED COST OF DOING BUSINESS AT THE CURRENT LEVEL AND TO PROVIDE FOR THE OPERATION OF NEW AND EXPANDED FACILITIES. THESE NEW FACILITIES AND EQUIPMENT INCLUDE ONE 270-FOOT MEDIUM ENDURANCE CUTTER, THE FIFTH OF HER CLASS; ONE 140-FOOT ICEBREAKING TUG, THE SEVENTH OF HER CLASS; 14 ADDITIONAL SHORT-RANGE RECOVERY HELICOPTERS, 2 NEW MULTI-MISSION SHORE STATIONS AT CRISFIELD, MARYLAND AND VENICE, LOUISIANA; THE FIRST PRODUCTION AIREYE SENSOR SYSTEMS FOR USE ON MEDIUM RANGE SURVEILLANCE AIRCRAFT; AND NEW OR RENOVATED SHORE AND AIDS TO NAVIGATION FACILITIES. THESE FACILITIES WILL INCREASE OUR OPERATIONAL CAPABILITIES, REDUCE MAINTENANCE WORKLOAD, AND IMPROVE WORKING AND LIVING CONDITIONS. MOST FOLLOW-ON SHORE MAINTENANCE SUPPORT WILL BE PROVIDED THROUGH CONTRACTS WITH THE PRIVATE SECTOR.

THE $5.5 MILLION IN OTHER FY 1985 PROGRAM INCREASES, TOGETHER WITH THE $6.2 MILLION FY 1984 PROGRAM SUPPLEMENTAL REQUEST, WILL ALLOW CONTINUED PROGRESS IN DRUG LAW ENFORCEMENT AND MILITARY READINESS, ENHANCE OTHER MISSION ACTIVITIES, AND PROVIDE FOR IMPORTANT SAFETY INITIATIVES. INCLUDED IN THE REQUEST ARE FUNDS TO OFFSET THE COST OF COAST GUARD'S PARTICIPATION IN THE PRESIDENT'S NEW NATIONAL NARCOTICS BORDER INTERDICTION SYSTEM (NNBIS) INITIATIVE IN WHICH COAST GUARD WAS NAMED REGIONAL COORDINATOR IN 3 OF THE 6 DESIGNATED REGIONS AND DEPUTY COORDINATOR IN 2 OTHERS. FUNDS ARE ALSO REQUESTED TO IMPLEMENT A NEW COMPUTERIZED LAW ENFORCEMENT INFORMATION SYSTEM, STEPPED UP MARITIME INTELLIGENCE COLLECTION, AND EXPANDED LAW ENFORCEMENT TEAM TRAINING.

THE AMOUNTS REQUESTED ALSO INCLUDE SAVINGS AND/OR COST AVOIDANCES TO BE ACHIEVED THROUGH NEW AND ONGOING MANAGEMENT INITIATIVES, THE DECOMMISSIONING OF VESSELS BEING REPLACED AND CONTRACTING INITIATIVES WHICH I PREVIOUSLY MENTIONED. ALSO INCLUDED ARE FUNDS TO DECOMMISSION AND LAY UP ONE WIND CLASS ICEBREAKER. THIS ACTION WILL MAINTAIN THE POLAR ICEBREAKER FLEET AT THE FY 1984 LEVEL OF 4, THE NUMBER REQUIRED TO MEET THE FUNDED REQUIREMENTS OF COAST GUARD AND USER ACENCIES UNDER THE CURRENT FULLY REIMBURSABLE USER FUNDING SYSTEM.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS

IN RECENT YEARS WE HAVE MADE GOOD PROGRESS IN OBTAINING NEW, STATE-OF-THE-ART HARDWARE...THE SAFE, RELIABLE AND EFFECTIVE EQUIPMENT WE NEED TO BE MORE PRODUCTIVE AND MORE EFFECTIVE IN CARRYING OUT OUR BROAD RESPONSIBILITIES. OUR $362 MILLION 1985 REQUEST FOR CAPITAL INVESTMENTS IS INFLUENCED BY THE TOTAL $669 MILLION PROVIDED IN 1984 THROUGH OUR $369 MILLION REGULAR APPROPRIATIONS AUGMENTED BY THE $300 MILLION PROVIDED THROUGH THE DEPARTMENT OF DEFENSE APPROPRIATIONS. TOGETHER, THESE FUNDS WILL PERMIT THE COAST GUARD TO ACQUIRE NEW OR EXPANDED CAPABILITIES AS WELL AS TO ACCELERATE RENOVATION AND MODERNIZATION PROGRAMS FOR OLDER VESSELS AND AIRCRAFT AND TO CONTINUE UPGRADE OF OUR SHORE FACILITIES, INCLUDING FAMILY HOUSING.

AMONG THE MAJOR ONGOING PROJECTS IN THIS APPROPRIATION, WE ARE REQUESTING FUNDS TO CONTINUE SERVICE LIFE EXTENSION WORK ON 2 ADDITIONAL SEAGOING BUOY TENDERS AND MAJOR MODERNIZATION PROGRAMS ON THE 378-FOOT HIGH ENDURANCE AND 210-FOOT MEDIUM ENDURANCE CUTTERS. NEW PROCUREMENTS INCLUDE THE 9TH IN THE CLASS OF 140-FOOT ICEBREAKING TUGS, CONTINUATION OF THE 55-FOOT BUOY BOAT PROCUREMENT AND REPLACEMENT HIGH FREQUENCY RADIOS FOR OUR LONG RANGE AIRCRAFT AND MEDIUM RANGE HELICOPTERS.

I HAVE REQUESTED FUNDS FOR IMPROVED INFORMATION TECHNOLOGY, INCLUDING AUTOMATED DATA ACQUISITION AND PROCESSING, TELE-COMMUNICATIONS AND DATA COMMUNICATIONS, BECAUSE THESE AREAS OFFER REAL POTENTIAL FOR PRODUCTIVITY AND PERFORMANCE GAINS. IT IS ESSENTIAL THAT THE COAST GUARD HAVE THE CAPABILITY TO INTEGRATE AUTOMATIC REMOTE SENSING AND DATA SYSTEMS, TO

PROTECT SENSITIVE INFORMATION, AND TO AGGREGATE FINANCIAL AND OPERATIONAL DATA FOR TIMELY SUMMARY REVIEW TO SUPPORT POLICY MAKING AND OPERATIONAL DECISIONS.

THIS BUDGET CONTINUES A HIGH LEVEL OF SUPPORT FOR THE RENOVATION AND MODERNIZATION OF OUR MULTI-MISSION SHORE STATIONS AND AIDS TO NAVIGATION FACILITIES. NEW INITIATIVES INCLUDE ESTABLISHMENT OF SHORE-BASED VHF-FM DIRECTION FINDING NETWORKS IN 9 HIGH ACTIVITY SEARCH AND RESCUE AREAS AND A PROGRAM TO UPGRADE AND EXPAND THE NEW ORLEANS VESSEL TRAFFIC SERVICE SURVEILLANCE EQUIPMENT. FUNDS ARE ALSO REQUESTED FOR THE MAJOR RENOVATION OF GREAT LAKES STATIONS AT DETROIT, MICHIGAN, AND ERIE, PENNSYLVANIA.

ALTERATION OF BRIDGES

THE $5.2 MILLION REQUESTED FOR ALTERATION OF BRIDGES OBSTRUCTING NAVIGATION WILL PROVIDE FOR THE GOVERNMENT'S SHARE OF THE COST TO CONTINUE ALTERATIONS ON THE WILLAMETTE RIVER BRIDGE, PORTLAND, OREGON. OTHER ONGOING PROJECTS WILL CONTINUE WITH PRIOR YEAR FUNDS.

RETIRED PAY

THE RETIRED PAY APPROPRIATION REQUEST OF $334.8 MILLION IS BASED UPON AN AVERAGE OF 23,913 ON THE RETIRED ROLLS. THIS AMOUNT ALSO ANTICIPATES ENACTMENT OF LEGISLATION BEING PROPOSED BY THE ADMINISTRATION TO DELAY THE 1 JUNE 1984 COST OF LIVING ADJUSTMENT TO 1 JANUARY 1985.

RESERVE TRAINING

THE RESERVE TRAINING PROGRAM PROPOSED AT $58.8 MILLION WILL SUPPORT AN INCREASE IN THE SELECTED RESERVE FROM 12,000 TO 12,500. I STRONGLY SUPPORT THIS INCREASE. THE COAST GUARD RESERVE IS A VALUABLE CONTRIBUTOR TO NATIONAL SECURITY, ESPECIALLY IN THE STRATEGIC MOBILITY ARENA, AND AS A COST-EFFECTIVE ASSET IN SUPPORT OF PEACETIME COAST GUARD MISSIONS. THESE FUNDS WILL PROVIDE FOR CONTINUING OUR EMPHASIS ON INCREASED PARTICIPATION IN READINESS EXERCISES AND OTHER TRAINING TO ENSURE RESERVISTS CAN PERFORM EFFECTIVELY IN THE EVENT OF A NATIONAL EMERGENCY.

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RESEARCH, DEVELOPMENT, TEST & EVALUATION

THE RESEARCH, DEVELOPMENT, TEST AND EVALUATION REQUEST TOTALS $23.5 MILLION, A $1 MILLION INCREASE OVER THE FY 1984 LEVEL. THIS WILL ALLOW CONTINUATION OF ONGOING PROGRAMS AT CURRENT LEVELS. MY OBJECTIVE IN RESEARCH AND DEVELOPMENT IS TO FIND WAYS TO IMPROVE THE PRODUCTIVITY AND CAPABILITY OF COAST GUARD PEOPLE AND, THROUGH BETTER UNDERSTANDING OF THE ENVIRONMENT IN WHICH WE WORK, TO INCREASE REALIZATION OF OUR VARIOUS MISSION OBJECTIVES. AS I STATED PREVIOUSLY BEFORE THIS COMMITTEE, I HAVE REVAMPED THIS PROGRAM TO CONCENTRATE ON PROJECTS WITH POTENTIAL FOR HIGH PAYOFF AT REASONABLE RISK WHERE WE HAVE A UNIQUE INTEREST. WE DO NOT PLAN TO DUPLICATE OR COMPETE WITH WORK WHICH IS BEING DONE BY OTHERS.

NATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT FUND

IN THE NATIONAL RECREATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT FUND, WE ARE REQUESTING APPROPRIATIONS OF $14.75 MILLION FOR LIQUIDATION OF CONTRACT AUTHORITY. THIS WILL SUPPORT A PROGRAM LEVEL OF $15 MILLION FOR FINANCIAL ASSISTANCE TO STATES AND TERRITORIES FOR THE DEVELOPMENT AND IMPLEMENTATION OF A COORDINATED NATIONAL RECREATIONAL BOATING SAFETY PROGRAM. THIS LEVEL REPRESENTS THE FULL AMOUNT AUTHORIZED BY LAW FOR THE BOATING SAFETY ASPECTS OF THE PROGRAM. THESE FUNDS WILL ENCOURAGE AND SUPPORT THE CONTINUING INVOLVEMENT OF THE STATES AND CONTINUE THE STEADY IMPROVEMENT IN RECREATIONAL BOATING SAFETY FOR THE NATION'S 60 MILLION BOATERS.

OTHER FUNDS

FOR THE POLLUTION FUND WE ARE INCLUDING $7 MILLION IN PERMANENT AUTHORITY, AS WE HAVE IN PREVIOUS YEARS. FOR THE OFFSHORE OIL POLLUTION COMPENSATION FUND AND THE DEEPWATER PORT LIABILITY FUND, WE ARE AGAIN REQUESTING APPROPRIATION OF SUCH SUMS AS MAY BE NECESSARY WITH A MAXIMUM OBLIGATION LIMIT IN THESE TWO FUNDS OF $60 MILLION AND $50 MILLION RESPECTIVELY.

MR. CHAIRMAN, I HAVE BRIEFLY HIGHLIGHTED THE AREAS OF MAJOR INTEREST OF OUR REQUEST. I BELIEVE THAT THIS REQUEST IS BALANCED AND REASONABLE IN VIEW OF OVERALL COAST GUARD REQUIREMENTS AND NATIONAL PRIORITIES.

CONTRACTOR WARRANTIES

Senator ANDREWS. Thank you, Admiral.

What review has been conducted of the extent to which warranties are obtained from contractors on Coast Guard procurements?

Admiral GRACEY. We use warranties regularly, Senator. We accept the warranty when it is a part of the company's routine. We analyze in a given contract what the cost of the warranty will be as opposed to the expected benefits. In those cases where it is cost effective, we seek a warranty. Sometimes, we just decide, whether it is cost effective or not, we have to have a warranty.

We don't have warranties on all of our contracts, but we do have them on many. On some of our major contracts, we have had notable success in using the warranties, and we are taking advantage of warranties.

Senator ANDREWS. What savings have you realized to date through the use of warranties? Do you have a figure on that?

Admiral GRACEY. I don't have a figure, Senator. I think I would have to give you that for the record, unless one of my people knows it.

Senator ANDREWS. Fine, if you could provide that for the record.

[The information follows:]

The Coast Guard has no system set up to determine cost savings realized from the use of warranties.

Senator ANDREWS. Would a stronger warranty on the Falcon jets have averted the problems you had with this aircraft?

Admiral GRACEY. I don't think the warranty would have made any difference, Senator. We have a warranty on the aircraft, and it is helping us a great deal right now. As a matter of fact, while we are undergoing the engine difficulties we are having, it is the warranty that is saving us tremendous amounts of cost.

Senator ANDREWS. In other words, the warranty on the Falcon jet is saving you a tremendous amount of cost in the trouble you are having on the Falcon?

Admiral GRACEY. Yes, sir. Actually, it is with the Garrett Engine Co., and that is where our principal problem is, with the engine. It is a good warranty, and the company is being very cooperative in honoring it.

Senator ANDREWS. You feel that that warranty is structured so that it is going to last long enough to give you the production you need?

Admiral GRACEY. No; I am concerned about that, Senator. I hope it will. It is a 41-month warranty, Senator, and I am hoping we will have the engine problems resolved in that time period.

USER FEES

Senator ANDREWS. Good.

Can you explain the source for budget authority in the amounts of $8.1, $15.7, and $18.3 million each fiscal year, respectively, that you show on page 3? Does this represent collections from user fees?

Admiral GRACEY. I am going to have to look at the book. Are you referring to page 3 of the budget, Senator?

Senator ANDREWS. That is right.

Admiral GRACEY. These are our proprietary receipts from a variety of sources, Senator, but included in the figure for 1985, that $18.3 figure you see, is the $10.5 million expected from user fees that I mentioned.

We do have user fees coming in for some services now. We charge for certain kinds of documentation. We charge for marking a wreck if the owner doesn't do it. Those kinds of things would be reflected in that, Senator.

Senator ANDREWS. Have you promulgated a rulemaking establishing new user fees?

Admiral GRACEY. No, sir. We are working on that now, but we have not put the rulemaking out, Senator. We expect to do it shortly.

Senator ANDREWS. Can you tell us what will be included and under what legal authority you are undertaking this?

Admiral GRACEY. Yes, sir, I can. It is under title 31 of the U.S. Code. It authorizes charging for direct costs for specific services to individuals.

The kinds of services we plan to make subject to user fees are:

Permits for private aids to navigation;

Marking obstructions, which we are already doing;

Domestic icebreaking if we have a specific request and under certain conditions;

Inspection and issuance of a certificate, a license, or a permit to small passenger vessels;

Vessel equipment approval and factory inspections;

Outer Continental Shelf facility inspections;

Port environmental safety facility inspections;

Permit for marine regattas, and the cost of regatta patrols.

Senator ANDREWS. Does the anticipated rulemaking explain the increase you are projecting for fiscal years 1984 and 1985?

Admiral GRACEY. For 1985, yes. The rulemaking would not take effect until fiscal year 1985.

Senator ANDREWS. Fiscal year 1985?

Admiral GRACEY. Yes, sir.

Senator ANDREWS. Fiscal year 1984 has a $7 million increase?

Admiral GRACEY. Yes; Captain Nelson reminded me that we probably will start before fiscal year 1985, so we will have some new user fee charges in fiscal year 1984. We are charging user fees for some things now, Senator, and we have been for a long time.

Senator ANDREWS. We are aware of that, but that was quite a sharp jump, to go from $8.1 to $15.7 million, and then to $18.3 million.

What if this rulemaking is not, shall we say, put into effect, if these receipts are not realized, then you are going to be submitting a budget amendment?

Admiral GRACEY. No; I think what will happen, Senator, is that we will absorb the difference.

I misspoke myself, Senator. These are miscellaneous receipts going to Treasury, and they will not be charged to us. It will have no effect on our budget, Senator. The Government will lose $10.5 million. We will spend $10.5 million, but the Government will not be reimbursed for it.

Senator ANDREWS. I thought that the user fees were to offset the budget requirements. There is no direct correlation in your budget process between the amount you take in in user fees and the amount you spend in that area.

Admiral GRACEY. Senator, that is correct. I realize I created some confusion.

Senator ANDREWS. Better that you should be creating the confusion than me.

Admiral GRACEY. It depends on where you sit, Senator. [Laughter.]

We have been in and out on this user charge proposal. I have consistently maintained that certain user fees should not be used to fund our budget. They should go directly to miscellaneous receipts in the Treasury, and our budget should not fluctuate depending on the amount of receipts. I had forgotten that we had succeeded in that proposal, and that is where we are at the moment.

DRUG EFFORTS

Senator ANDREWS. Last year's budget was estimated to contain $10.01 million in drug effort enhancement. What benefits did you realize by this increased spending?

Admiral GRACEY. It is very difficult to judge the effects of a drug program. We know we have continued at a very successful level in our interdiction efforts despite the fact that the whole pattern used by the traffickers has changed.

They are now going to some considerable lengths to conceal their cargo. They are sending smaller shipments, but more of them. They are using different routes. They are relying on air drops. There is a whole raft of things that are being done differently. Despite that, we have managed to maintain our interdiction level, and, in fact, increase it over last year.

So the effect, I have to say of our continued concentration and enhancement of effort in that area has been beneficial. I can't give you a dollar figure in terms of return on the investment.

Senator ANDREWS. Have you done any cost/benefit calculations on the budget level for drug efforts relative to the tonnage of marijuana interdicted?

Admiral GRACEY. No, sir, we have not.

We are repeatedly asked what level of interdiction we should have to put a crimp in the drug traffic. A similar relationship would apply to what would be a cost/benefit of this program. My response on that is, also continually, that it really is not possible to come up with a cost/benefit on the program.

You can come up with a number. You could calculate how many bales were seized versus what it cost you to get them, but I am not sure

that it would be a meaningful figure. I think the important thing is that we are continuing to keep pressure on the traffickers in our interdiction efforts, and that is one of five phases of the administration's Federal strategy to rid this country of the drug menace. It is, as you well know, a serious threat to our country.

Senator ANDREWS. Has a priority been placed on interdicting other drugs, such as cocaine?

Admiral GRACEY. The priorities of interdiction, Senator, depend on the means of trafficking.

For example, we are seizing some cocaine, and we know we are interdicting more, because every time we approach a vessel to board it where there are drugs aboard, we invariably see somebody throw a bag over the side. We have no doubt that that is hard drugs. They are weighted bags, they sink, and we don't get them.

The marijuana bales are another thing. They can't be disposed of that readily, and we find them. Our emphasis is on marijuana because that usually comes by sea.

In the air interdiction effort, which is primarily a Customs effort, although we participate with them in it to the extent we can, the focus is on the hard drugs, because that is the kind of thing that is likely to be shipped by air.

I should point out that within the last 30 days, we have made the largest seizure of cocaine ever at sea. We seized almost 1 ton of cocaine at sea.

Senator ANDREWS. Why does your budget, then, show no projection for confiscation of cocaine in fiscal years 1984 and 1985?

Admiral GRACEY. That is because the pure fact of the matter is, Senator, our experience in seizing cocaine has been minimal. It is impossible to estimate. This seizure, obviously, came after the budget had been put together, but I would not project that we could do the same thing in another year.

If we have equal intelligence and equal opportunity, we will get another one, and hopefully we will get more than that, but we can't predict it.

SOUTH FLORIDA DRUG TASK FORCE

Senator ANDREWS. Last year, Admiral, you testified that your marijuana interdiction rate had climbed to 30 percent after the establishment of the South Florida Drug Task Force. Do you have any improvement that you can report this year?

Admiral GRACEY. No, sir; not in terms of percentages. I can tell you that the number of vessels seized is up compared to last year. Last year was a relatively poor year. We think the crop was down. There were a number of factors. The traffickers were changing their modus operandi.

To give you some examples: For the period from October through March, last year we had seized 60 vessels. In that same period this year, we have seized 180 vessels. However, in terms of pounds of marijuana seized, even though we have seized three times as many vessels, we have only seized 600,000 more pounds.

Senator ANDREWS. You set out a 75-percent interdiction by 1990 goal. Do you expect to meet that?

Admiral GRACEY. No; Senator, I think that was misunderstood. At least on my watch, it has been misunderstood. It was never intended to be a goal.

That figure was the figure which had been postulated in various studies as the level at which the trafficking would be so expensive that the traffickers would either stop smuggling, or would be forced to take some other drastic measures.

It got interpreted as a goal. There is no way in my view that we can ever think of trying to totally stop the drug traffic by interdiction. All we can hope to do is to keep a high level of pressure on, to make it very inconvenient, very expensive, while the rest of the Federal strategy takes effect. This strategy includes getting rid of the crops here and in foreign countries, educating the public, going after the top people in the crime syndicates, and so forth. We will keep the heat on in interdiction.

Senator ANDREWS. You indicated last year that the smugglers are figuring your operations out, and that is preventing you from interdicting more than 30 percent. Have you made some strategic and intelligence improvements so as to increase your success?

Admiral GRACEY. Yes, sir. This year about 50 percent of the vessels we have seized were as a direct result of intelligence.

Senator ANDREWS. In other words, you have to find out ahead of time what is coming.

Admiral GRACEY. What it does, Senator, is enable us to play smarter, not just harder, or to work smarter not just harder. It is not play.

I should also point out that it is becoming increasingly important for us to have that good intelligence because of the extent to which traffickers are going to conceal their cargoes, and I am talking about a really major extent. It is not just a case of hiding it under the bunk. They are putting it inside engines. They are having false compartments built. They are rebuilding the inside of the ship, welding it up, painting it over. Sometimes the crew doesn't even know it is there.

USE OF E-2C

Senator ANDREWS. In your whole exercise over the period of years, you have used this baby AWACS, this Hawkeye that we talked about on a couple or three occasions, haven't you?

Admiral GRACEY. Is that the E-2C?

Senator ANDREWS. Yes.

Admiral GRACEY. We have used them on various occasions. I used them when I was Pacific Area Commander on a loan basis, and we used some of their predecessor aircraft as well. Yes, sir, we have used them. We would fly the E-2C off the Pacific coast, incidentally, where the problem is considerably different than it is on the east coast or the Caribbean. Then we would fly a C-130 underneath, so that when a target was sighted, the C-130 could check it out.

Senator ANDREWS. With the ability of the E–2C to pick up virtually everything in the area, wouldn't it give you a great deal of added capacity over what you have without it?

Admiral GRACEY. There is no doubt that it would give us more targets. But we know there are a lot of targets out there; we don't need that information. What we need to know is where the specific vessel or vessels are, or the kinds of vessels that we are looking for. That requires more than just the target sighting. It requires a visual or sensor identification.

Our new Aireye packages, which we are going to put on our HU–25 aircraft, our own jet aircraft, will provide that kind of visual identification, as do our aircraft surveillance flights now. We are putting really refined surface radar on our C–130's, and we have it on our HU–25's. What that does is let us pick up the targets with greater sensitivity and focus on them.

The Aireye package, incidentally, has side-looking radar, which has about an 80-mile swath of coverage, and that is about all we can expect anybody to go. Once we have spotted a target, we have to have to go look at it. There are just so many targets you can check out in a given period of time.

The bottom line is that there is no question but that we could get more targets. Whether we could put that target information to the best possible use, if we were getting it on a regular daily basis, I am not sure, Senator.

Senator ANDREWS. What you are telling me is that the E–2C would give you surveillance of all the targets out there, but you already know of more targets than you are able to interdict.

Admiral GRACEY. That is what I am telling you, Senator.

Senator ANDREWS. There, if you had a couple of E–2C's, they would give you the targets, the size of the target, the direction it was traveling, which would probably give you some kind of a feeling on whether it was going in the pattern that a drug ship might well go in.

Admiral GRACEY. Yes, sir.

Senator ANDREWS. But the shortage then occurs in your ships to do the actual interdiction. Do you have what you feel is a significant shortage of ships in this area to do the job that needs to be done?

Admiral GRACEY. Senator, I get a daily briefing by my staff on the status of our fleet and where it is operating. I must tell you that these days, the passages in the Caribbean are saturated with ship names, not only ours, but U.S. Navy vessels too.

We not only have our own aircraft flying out there, but we have Navy and Marine aircraft. We are also using and testing Aerostat, which is a tethered balloon with a radar on it. It is giving us fine detailed coverage of the windward passage and we can cover the whole passage with one sweep.

Senator ANDREWS. You have this excellent coverage, and if you have all of these ships down below to interdict, why aren't we interdicting more than 30 percent?

Admiral GRACEY. Darn if I know, Senator. I don't know the answer. There are those who think that we are not even getting 30 percent. Part of the problem is that you have to start with accurate knowledge of how much is being shipped before your percentages have any validity. I don't think anybody really knows how much is being shipped.

There are agencies that study and make estimates. They usually publish their findings about a year later, and that is a little too late to make any plans on.

We are not suggesting that we are not short of ship days. Our operating plan shows that we are short of cutter days to do all of the things we ought to do, not only in the drug enforcement, but in other arenas as well.

I think we are on a threshold here. We are in the transition period. We are transitioning, and unfortunately, as you noted earlier and Senator Chiles did, it is taking us a long time to get there, but we are going to make it one of these days.

We are in a transition between old equipment and new equipment. We are in a transition between ships that can handle helicopters, and ships that can not. For years, we had no medium range fixed-wing search aircraft to speak of that could fly, because the HU-16's had died, and the C-131's that we dragged out of the desert as interim replacements really took more work to keep flying than they were worth.

We now have the HU-25, which is a fine airplane, and they will be flying. Once we solve the problem on the new helicopters, they will also be flying, and they will be flying off of our new 270-foot cutters, which have flight decks. Those 270's will be replacing the old 327's, and other old ships, which do not have flight decks. Our capability is growing apace. We also have the patrol boats coming down the pike that you kindly arranged to fund for us.

CAPABILITY TO STOP TERRORIST ATTEMPTS

Senator ANDREWS. Admiral, one of the problems, of course, that come to mind of those of us—I intend to turn this level of questioning over to Senator Chiles, who is much more closely associated with what is going on on the Florida coast, certainly, than I am. But it is a concern to the entire Nation, and we support Senator Chiles and his urging of you to make sure you tighten up this net that is keeping the stuff from coming in.

The thing that bothers me, from what you have just said, if we have that little capability to stop these ships from carrying marijuana, what happens if a terrorist decides to run a nuclear device into this country? You have no way of stopping that kind of terrorist attempt to move something into this country.

Admiral GRACEY. Senator, first of all, the Defense Department would not be hindered by Posse Comitatus in that situation, and I use the word "hindered" advisedly. I understand why it exists, and I am not suggesting that it shouldn't.

In addition to that, the fact of the matter is that if we didn't have intelligence that it was coming, I don't think we could stop such a device from coming in, because we would have no way of knowing where it was, when it was coming, or on what kind of a platform. Unless you are planning to stop everybody that moves through U.S. waters, put a picket line out there, I think there is just no way to stop them.

I think the fact that we are stopping as many as we are, and that we have a 200-percent increase in seizures this year, that we are seizing three times as many as we did last year, and that we have 80 percent more than we did 2 years ago, which was another big year, says that we are doing rather well.

The fact of the matter is that the result of a lot of what we have done is that we have forced the smugglers to go to very expensive routes. You don't make the modifications to the vessels that they have made cheaply. We are convinced they are going through foreign waters. We are convinced there are multiple air drops that are taking place. There is a whole variety of new techniques, and they are going in a whole variety of new directions. That says that we are having an effect. That says to me clearly that we are having a significant impact. To achieve this, we have changed our strategies.

We are no longer tied to a specific hit them harder kind of a strategy. We are now able to use our intelligence, and we now have a free hand to employ the strategy we think is going to be most effective, rather than just the old strong-arm technique.

Senator ANDREWS. But the reason, Admiral, that we think that the Hawkeye could be effective—you can't stop, as you say, all of the ships on the high seas coming toward this country, but if you can plot a ship going to an unusual area, going to an unusual dock, going to an unusual harbor, that one stands out as being truly a prime suspect.

Admiral GRACEY. There is no question about that.

Senator ANDREWS. This is the type of information that a Hawkeye-type device would give you that you just don't have any other way. If you had an areawide surveillance of a portion of the coast, and you could catch a ship coming through and heading toward a strange docking area, then some type of land interdiction at the point of docking would be well called for. But you don't have that capability without this type of radar positioning, as I understand it. Am I right, or am I wrong?

Admiral GRACEY. I think we have some of the capability, Senator. Obviously, I won't tell you that we have the same capability the Hawkeye has, because that was designed for battle group protection and aircraft detection primarily.

Incidentally, we are getting some use of the Hawkeye. The Navy is assisting us in flying some flights with those aircraft.

Senator ANDREWS. We want to encourage the Navy to do more, because we think that when they are carrying on their training missions, they might just as well be carrying on their training missions in an actual posture of helping the Coast Guard spot these ships and/or planes

that are going to strange airports and strange harbors. That is why we would urge you to work that out if you possibly can with the Navy.

I want to get off of this subject because Senator Chiles has a number of questions, I am sure, that we are looking forward to. I would like to ask you two questions, first on personnel.

MILITARY REDUCTIONS

Your fiscal year 1985 budget proposes a 513 military position cut from this year's level of 39,392. What will be the impact of this reduction, and how is the reduction going to occur?

Admiral GRACEY. We hope the impact will be minimal, Senator, because the bulk of the reduction is in personnel that are supposed to be covered by A–76 contracting.

In theory, the whole idea of A–76 contracting is that you identify a function the Government is performing for itself that is typical of services performed in the private sector. You price out your best way of doing it, and you put it out for bids. If your price is better than the private sector, then you keep doing it. If it isn't, then the private sector takes over.

OMB's experts on this matter have found that for a certain number of functions studied, there is a certain percentage that will turn out to be more beneficial to contract with the private sector. That is where those numbers came from. The function will continue to be performed.

One of the things we are doing as we approach this whole contracting out issue is making sure, as far as A–76 is concerned, that first, we protect our force structure; second, we make sure that we have made adequate provision for sea, shore, and isolated duty/back home-type of rotation for our people; third, that we have protected our capability to respond in a national emergency situation. Beyond that there are certain functions which are strictly governmental.

We are hoping that the impacts are not going to be great.

H.R. 4841 TRANSFER AUTHORITY

Senator ANDREWS. Finally, Admiral, section 6 of the House-passed Coast Guard authorization, H.R. 4841, contains authority, as you know, for the Secretary to transfer up to 5 percent of appropriated operating expenses, or acquisition, construction, and improvement funds to other Coast Guard accounts.

We, of course, will be discussing this bill in the Senate. However, in the event such authority is enacted, the committee would like the Commandant's assurances now that the exercise of such authority would only be in the most extreme case of national interest, which is what is spelled out in the bill. As always the committee insists that the Coast Guard will submit requests to this committee to reprogram any appropriated funds.

Admiral GRACEY. I can assure you, Senator, on both counts. First of all, it has long been our practice to consult our committees and inform our committees on any action of that sort when we contemplate it.

More important than that, I must say that in my opinion the Coast Guard has never in its entire history taken an action that was not in the best interest of the country. I can assure you that we wouldn't do that, Senator.

Senator ANDREWS. Senator Chiles.

PATROL BOAT PROCUREMENT

Senator Chiles: Thank you, Mr. Chairman.

Admiral, as you recall, last year on March 3, at our appropriations hearing, we talked about the procurement of eight patrol boats for Caribbean operations. The funding for those boats was made available in fiscal year 1982, but because of the backdoor impoundment of funds, the funds were not released until May 1982. It took another month, until June, for the Department to decide how the money would be used.

This procurement has been considered urgent from the very beginning because of the subcommittee's interest and the interest of the administration in getting more patrol boats in the service to help stem the flow of drugs. Last year you told us that there had been a couple of false starts about the best way to go about the procurement. This procurement, however, seems to be a classic case in how not to proceed.

Initially, an invitation for general bids was put out, subsequently to be reversed by the Small Business Administration, to be reserved by the Small Business Administration as a small business set aside. Then the entire procurement process was changed from the lowest bid approach to a two-step, or a negotiated procurement technique.

I understand that the last delay was beyond the control of the Coast Guard, to some extent, it was caused by a bid protest from one of the companies, which the court rejected on April 5.

Admiral Gracey, when can we expect the Coast Guard to make a final offer on this procurement, and when will we have the first boats in operation?

Admiral GRACEY. The direct answer to your question is that we received the best and final offers on March 26. We are putting the selection package together now. We have done the analysis on it. The final report went to the selection officer, that is the Deputy Secretary, today. The offers expires on May 12, and we are hoping and expecting to make an award before that time.

With respect to the things that you cited that caused some delays, the business of the protest, I would like to tell you it caused some delay, but it didn't. We assumed that we were right and we were going to be upheld, and so we kept going with the process. We didn't let that hold us back.

The set-aside decision did have some impact, but contributing as much as anything to the delays were two basic factors.

One was that when we finally went to the set-aside, we did it on the basis that if there were at least three contractors who came in, we would consider that adequate competition. But we actually got about 10

contractors that came in with proposals that were not anywhere near usable, usable in the sense of being able to make a decision on the proposals. So we had to go back and perfect them.

We had allowed 4 weeks for that, but it actually took us almost 17 weeks of going through the process of going back out, telling each of them what they ought to do to perfect their proposal. There were interchanges and deficiency releases. When we finished that period, then we decided that we would keep all eight remaining offerers open in the competitive range. So we went out one more time, and we gave them one more opportunity to correct their deficiencies, trying like a sonofagun to keep as many contractors as possible in the competition. The cumulative effect of all that was about 17 weeks of delay right there.

Then along came the 1984 budget supplemental with the additional patrol boats in it. The question of whether we would add those boats to the numbers to be bought under the existing contract or not, held us back in seeking best and final offers, because, if we were going to buy 17 instead of 8, it involved a whole different process. We had to look at whether that would affect the contract, and so forth.

The bottom line is that we hope to make the award on May 12, and the first boat should be operational in about July 1985, and every 45 days thereafter we will have another.

FUNDS RELEASED FOR PATROL BOATS

Senator CHILES. Admiral, as you know, the funds were technically released on May 27, 1982, when the Senate disapproved deferral of the Coast Guard construction funds. On June 10, I wrote the Coast Guard to ask that they move ahead to commit these funds. On June 17, the subcommittee received a letter from Under Secretary Trent indicating that the Department would proceed. It was not until August 21, however—more than 3 months later—that the Coast Guard made the invitation for bids in the Commerce Business Daily.

I understand the 17 weeks as you have explained it, but why did it take 3 months for a procurement considered urgent, for the Coast Guard to get around to issuing an invitation to bid?

Admiral GRACEY. Senator, first of all, what went out on the 21st wasn't even an invitation for bid. It was a notice in the Commerce Business Daily which made a worldwide market survey to determine what kinds of vessels were out there that could be off-the-shelf patrol boats, because our understanding of our marching orders was that this is what we were to have.

There were a lot of technicalities. There were changes in concept. We went from a specialized single mission boat to a multimission patrol boat, and we went to the proven craft concept. All of that was in the formulation stage at that point, and it all contributed to the time.

I don't know exactly what all of the factors were, Senator, but they were all in there.

Senator CHILES. Another curious delay in the process is the one involving the Coast Guard and the SBA discussions. On October 29, 1982, the Coast Guard received notice from the SBA indicating that the procurement should be a set aside for small business. It wasn't until January 20, 1983, that the Coast Guard formally rejected or appealed the SBA decision.

Why did it take almost 3 months for the Coast Guard to simply respond to the SBA set aside proposal?

Admiral GRACEY. Some of the answers to that are the same as the ones I just gave you, Senator. The fact is that during that period we were trying very hard to come to grips with what it was we were going to do, and how we were going to do it.

We did not want to reject the small business set-aside. We take our responsibilities under that very seriously. We were agonizing over it, and we were trying to thin down what the technical requirements are.

ISSUANCE OF SMALL BUSINESS SET-ASIDE

We also found in our first solicitation in the Commerce Business Daily some information coming back that led us to think that perhaps there wasn't sufficient technical capability, or a sufficient number of usable plans of patrol boats out there to ensure we would have sufficient competition. We analyzed that, and we obviously were involved in a great give and take with the Small Business Administration in the meantime.

We finally came to the conclusion, and I really don't remember all of the details of what went on in the meantime, but that is the general thrust of how it went.

Senator CHILES. After that 3 months and the appeal, finally on May 7, 1983, the solicitation was issued as a small business set-aside. Consistent with the Small Business Act of 1958, when there is an adequate number of small businesses that can satisfy a procurement at a reasonable price, an agency is required to use the small business set-aside procurement.

Instead of getting the matter resolved early with discussions between the two agencies, the small business set-aside dragged on for almost 7 months, from October 29, when SBA first wrote indicating it would be a small business set-aside, to May 9, 1983, when the Coast Guard finally issued the solicitation as a small business set-aside. Understanding SBA requirements, it doesn't seem to be limited just to this procurement.

In June 1982, the Coast Guard issued an invitation for bids for the construction of an icebreaking harbor tug to 22 qualified small businesses, and subsequently the Coast Guard learned of qualified (8)(a) contractors and was forced to cancel the general invitation for bids.

In the case of the eight patrol boats, it is hard for me to understand the 7 months to resolve the small business set-aside issue. It seems to me this matter should be a routine and recurring thing, and an ex-

perienced procurement staff would not have this kind of difficulty in complying with SBA requirements.

The subcommittee has been informed that the procurement team leader for the patrol boats had never dealt with a negotiated procurement prior to the case of those eight patrol boats, and had had only 1 year of procurement experience during the 1970's. GAO has told us that 39 of your procurement people have had negotiated procurement experience. I wonder if you have selected the wrong person as the procurement team leader.

The subcommittee understands that the Coast Guard has 62 civilian staff and nine military personnel in the Procurement Division in Washington. Does the Coast Guard practice of rotating military personnel result in your not having seasoned procurement people in the military billets?

Admiral GRACEY. Would you like me to answer any of those Senator?

Senator CHILES. Yes, sir, any comments you want to make.

REASONS FOR PROCUREMENT DELAY

Admiral GRACEY. Thank you, sir.

Let me go back, and first say that we were not forced to cancel the small business set-aside with regard to the icebreaking tug. We did that of our own volition and created a lot of heartburn in the arena. We had been looking for a minority firm. We are very much into this (8)(a) minority contracting program, and we are one of the leaders in the Government, certainly in the Department of Transportation, in this regard.

We found a firm we thought could make it, and that is why we canceled it. We were not forced into that at all.

The small business set-aside process is not routine. It is in some areas, but in a technical area like coming up with a new class of boat that is going to be built with a technique that we had never used before, the parent craft idea, it is not simple by any means.

I can tell you that personally because I have just finished making a decision regarding the FRAM as to whether we would small business set-aside the 378-foot cutter program, and I have personally gotten involved. I can tell you that I have spent many, many personal hours agonizing over the decision, and I am not exactly a boot in this business.

So it is not easy, and it is not routine when you get into the SBA contracting process. I don't know that that explains all of the delay. Looking back over it, we probably could have completed some of the actions quicker. But we were trying to find out what was out there. We were trying to get the solicitations back from the public, and we were trying to firm up in our own minds what was the best way to go in the interest of the country.

As far as the team leader is concerned, you have suggested that perhaps we had selected the wrong person. No, sir; quite the contrary. We have in the team leader on that project, Capt. Dean Frankenhouser,

one of the topnotch naval engineers in the Coast Guard. He was handpicked for the job. He has extensive experience in program management and ship design.

He had help. He had an acquisition team that included a contract specialist, the contracting officer, the Assistant Chief of the Procurement Division, the Chief of the Procurement Division, a lawyer from the Procurement Law Division, and a procurement staffer from the Department of Transportation. So he wasn't exactly out there all by himself. Nonetheless, he had the experience. He is a topnotch gentleman, and he did a fine job on this. So that is not a factor in this process at all.

In terms of rotating our people, no. As a matter of fact, in the climate we are in today, with the competitive civilian market for jobs and the job levels—with the number of people we have—the odds are that a military person, who comes in on a 4-year tour of duty, is going to stay longer than the average civilian in our contracting office because we can't offer promotion career ladders. We don't have that many people.

Incidentally, we are no longer at 62 people. We have 102 people working in the procurement office now.

When we put military people in there and rotate them, that is not all bad. They come in with field experience and operating experience. It is the old civilian/military mix concept, and it works very well. One has a breadth of experience, and the other has the depth of experience. We match them up.

The military people we are bringing in are people with post-graduate degrees in finance, management, and law, plus operating experience in the Coast Guard. So I wouldn't change that for a minute. Those people are not causing the problems. The problems are primarily technical.

PROCUREMENT CAPABILITIES

Senator CHILES. Admiral, I think the bottomline is—the reason I have gone into this kind of detail in these questions—this subcommittee and others have busted it to provide additional money to the Coast Guard. The reason for that was, we like the Coast Guard, yes, but we wanted to get these assets out there where we could try to do something with them.

I don't think that we are content to sit back and provide money in 1982, to find that it takes until July 1984 to get eight patrol boats out there. Whatever has happened in the past has happened. The gist of my questions now is, if you need additional help in the procurement area, ask for it, and we will get it for you or we will give it to you. But you have had time enough now to get your act together.

For this $850 million that you have sitting in this construction account, we want to know if it is going to go out, are we going to be able to procure in a proper and expeditious way. Or, is there something else that we have to do.

Admiral GRACEY. Senator, I would like to comment on two aspects of that, if I may, and I think they are reflected in this $848 million unobligated balance you see here now.

First of all, it is not uncommon at this time of the year to have a high unobligated balance. The budget money has only relatively recently arrived, and it takes a period of time to go through the process. If everything went exactly right, it would take almost 1 year to put out a major government contract.

It is not a case of goofing off, or people not having enough to work on. The pure, bald fact of the matter is that, because of the things that are required to be done on a Federal contract, it can take almost 1 year for a major contract to get out, and that assumes that you have done all of the technical work ahead of time.

If we have extra money appropriated at the last minute, we love it. We love it. I wouldn't reject it for a minute—and the requirement to buy a certain kind of equipment—we love that, too, with certain exceptions. But most of the project planning we have to do to execute the added projects, we normally would have done before for projects in our regular appropriation request.

We normally make all of these decisions about the kind of boat, the class, and the whole thing, before we ever come to you with the budget. When the money arrives as a surprise, we are very grateful, but we have to start then to go through all of this process, so it extends the time of execution.

As to where we are on executing the $848 million unobligated AC&I funds—there was a reference to a 12-year average carryover—we have about 50 percent more people in the procurement office now than we had 2 years ago. Our current unobligated balance includes a lot of contracts which are either underway or where much work has already been done on the contract. I am talking about things like the 270-foot cutters, and the service life extension for the buoy-tenders.

NEED FOR FLEET BUILDUP

Senator ANDREWS. Admiral, the thing that bothers me is that both authorizing committees, the House and the Senate, some years ago said that there needed to be a fleet buildup in the Coast Guard.

Admiral GRACEY. Yes, sir.

Senator ANDREWS. What you are telling the committee now is that you were taken by surprise because, for budgetary reasons, we funded this necessary capital buildup not out of your budget allocation, but out of another account, the DOD account, because those ships do indeed and in fact revert to the Navy in case of war.

We are a darn sight better off having ships used by the Coast Guard for search and rescue, drug interdiction, and all the rest, and not just sitting back waiting for the war that we hope never comes.

Why was that such a surprise to your predecessor? This is not on your watch, but I would certainly have thought that someone in the Coast Guard was aware of the need for these ships, and someone in the

Coast Guard was aware of the authorization, so that when we put it into the bill 2 years or more ago, that it wouldn't come as a complete surprise.

What you are telling us is that it was a surprise. It took you all of these years to get geared up to go around the SBA requirements. I find that awfully hard to believe.

Admiral GRACEY. Sir, I have been in the budget business, and in and around the leadership of the Coast Guard probably longer than anybody should have been, and I have to tell you I don't ever remember anybody giving a $300 million gift before. That was the first time that that ever happened.

Senator ANDREWS. That is no gift, Admiral. That money is there as an investment in the future of this country. We think that it is a wise investment. We certainly thought that career Coast Guard officers had sensed over the years the need for these kinds of ships.

Senator CHILES. Admiral, we were also told that the Coast Guard was going to be able to utilize this money, and they were going to be able to expeditiously get this out there. I don't think that we were just putting this money out without being told.

In fact, we were saying, and we were asking Admiral Hayes and others, "If you had the funds, what could you do?" So we didn't just pick the money out of the air. We had a GAO report. We were told, "Yes; if we had additional money, we could do this. These are the things that we could do." We were working in concert with that.

Admiral GRACEY. Senator, I didn't intend to suggest that. My use of the word "gift" was ill-advised. It was an unexpected contribution to our future, and the country's future. We appreciated that.

I didn't mean to get into a stone-throwing business here. I was not meaning to say, if you had only told us ahead of time, we could have done it. This was not the message. The message was that there are some things that have to be done once one starts on a project. If there are certain kinds of vessels, yes, we had a long-range plan, but our long-range plan in the patrol boat area was not geared to start then.

Where I was going with that was to explain this $848 million that you expressed concern about. Of that, $350 million is in projects that are already underway and contracted, like our helicopters, our 270-footers, and the WPB's that we were talking about, where much of the work has been done. It is not like we have to start from scratch on that $848 million.

It is not uncommon to have a large figure at this time of the year. I am comfortable that we are going to get pretty close to our estimated obligation figure. We will have a carryover, but I don't think it is going to be inordinately large, and it is not going to be anywhere near the figure you are looking at now.

Senator CHILES. Well, the procurement for the SRR helicopters is a year behind schedule, and I understand you have delayed acceptance of the helicopters because they have not performed adequately in recent tests.

What is your view now of where we stand in that procurement?

TECHNICAL PROBLEMS WITH SRR HELICOPTERS

Admiral GRACEY. Senator, we have some technical problems with the SRR helicopters. They are not contracting problems, they are again technical problems. You mentioned the 270-footers earlier, and that is the same kind of a situation there.

The major problem we are faced with is that the helicopter has a bad habit of ingesting snow and stalling when it is flying in snowy weather. We are figuring on about an additional 6-month delay. The last contractual delivery date was January 31, and we have passed that. We think that probably it is going to be another 4 or 5 months before we have a solution to that problem.

There are some other technical problems. If we switch engines, or try to restart one in the air, the generator kicks out. We are convinced that we are going to solve them, but they are all technical problems, and not contracting problems.

USE OF $300 MILLION PROCURED IN 1984

Senator CHILES. As you recall, Senator Andrews and I, along with Congressmen Lehman, Coughlin, and Conte, wrote to Secretary Dole on February 22 to object to the administration's proposed use of the additional $300 million provided for Coast Guard procurement in 1984.

On March 15, Secretary Dole responded by indicating that she was prepared to support the use of the $300 million as directed by the subcommittee. As agreed, the funds were provided for seven additional patrol boats and three additional HC-130's.

What is the status of the Coast Guard's procurement effort for these additional procurement items? Will the Coast Guard piggyback the patrol boat procurement with the one discussed earlier and funded within the 1982 appropriation?

Admiral GRACEY. The C-130's that are in there, Senator, we expect to buy as a part of an Air Force contract, and we would expect delivery in about October 1985. It is the easy way to go, to ride somebody else's contract, and we would expect to do that.

In terms of the WPB, whether we will piggyback the WPB's or not is not firm—that was another factor in the delay, by the way. We went out and changed the solicitation to get options for as many as nine additional boats on the original contract in the best and final offers. We have those offers. We have the numbers built up to that figure. That decision, we would hope, will be made very soon. We have recommended that we go that way.

Those would be replacement boats, by the way, the extra ones, not additional boats.

Senator CHILES. I am going to leave the procurement area now, and go on to some other areas of questioning. I think, from the tenor of our questions, you understand our concern. Given the fact that we went over some of this last year, I listen to your statement that we are not

going to see this kind of procurement account in the future, I hope that next year, and maybe even before next year, we are going to have better news as to how the procurement is going.

Again, I renew the offer. If there is something you need, tell us about it. We want to know about that.

Admiral GRACEY. Thank you, Senator, I appreciate that very much. I know how much you wanted it, but I can guarantee that you didn't want it any more than I did in terms of not having to come back here this year and tell you we had not done it yet.

Senator CHILES. I may be more impatient than you are, then, Admiral.

Admiral GRACEY. I doubt it. I doubt it, sir, and you may want to talk to my staff about that. We have had some problems, and we did our level best to overcome them. We had a schedule that was going to have those things on the map and ready to operate this September, and we thought it was going to work. I can show you where it fell apart, if you want me to. I am not happy about it either, sir.

DRUG INTERDICTION

Senator CHILES. Since the Posse Comitatus restrictions were lifted, allowing military assistance in narcotics surveillance activities, the Coast Guard and other nonmilitary agencies have been receiving assistance in the drug war. I know that advance intelligence is the key to making seizures, and almost one-half of the vessels that you do seize are as a result of advance intelligence.

I understand, since May 1982, the U.S. Navy surface and air units provided over 2,000 vessel sightings which were entered in the El Paso Intelligence Center data base. During the same period, however, the Coast Guard sightings totaled over 84,000.

Admiral, are you satisfied that you are getting enough intelligence from the Navy and other military sources?

Admiral GRACEY. With intelligence, Senator, I am not sure there is any such thing as enough.

Senator CHILES. Frankly, what we need to find out is, Have the changes that we have made in Posse Comitatus, in addition to doing away now with the legal requirements or legal restrictions, are the Navy and the other branches moving on that, or is that something that we need some additional support or help on?

Admiral GRACEY. Yes, sir, I understood that.

We are getting a lot of help from the other armed services. I mentioned earlier some of the assistance from Navy vessels and Navy aircraft, the Air Force aircraft, and the Marine Corps aircraft. We have also managed to become a full partner, I think, in the intelligence community, so there is a flow of intelligence coming in from that direction and it is becoming increasingly useful, and there is an increasing amount.

We have asked for some money in 1985 to establish an intelligence center here, and to establish some ability to massage this data more ef-

fectively. The National Narcotics Border Interdiction System Centers in Miami, New Orleans, Long Beach, and elsewhere are also doing some massaging.

In answer to your question, again I have to say, I don't know how much is enough. I know we are getting a lot and it is being very helpful. The fact that one-half of our seizures are coming from that direction is indicative of the value of it.

Senator CHILES. It sounds to me like you could get more.

I understand that during calendar year 1983, the Navy made approximately 12 vessels a month available for Coast Guard boarding parties. How many vessels a month is the Navy now making available, and how useful have you found this program as opposed to Coast Guard personnel on your own cutters?

Admiral GRACEY. I don't know the number we are getting now, sir. I suspect it is still about the same, because the number of Navy ships we can get is a function of two things. One, is a function of where they are operating, what their operating area is, and what ships are available. Two, is the number of people we have to put aboard them as law enforcement teams, so they can do the boarding and the seizing. Actually the number each month varies.

I don't know that we could say that we would get the same benefit by putting everybody on our own ships. One of the beauties of having Coast Guard law enforcement teams on naval vessels, on a random basis or a selected basis, is that those fellows who are trafficking out there don't know which grey hull has a team aboard. It means they are all a deterrent. The whole fleet is a deterrent. I think that is very effective. The same is true with aircraft.

GRENADA INVASION

Senator CHILES. I understand the Coast Guard demonstrated its readiness during the Grenada situation by having three of your surface effect ships and patrol boats, and one of your buoy tenders underway within 10 hours. The downside, however, is that two of the patrol boats are still down there and no longer available in the Seventh District to assist in the drug interdiction activities.

When do you expect the Coast Guard equipment to be returned to the Seventh District?

Admiral GRACEY. I don't know when it is going to return, Senator. It will depend on when we feel the Caribbean peacekeeping force is squared away and the Grenadians are trained to handle their own situation, and when the administration feels the government is stabilized down there.

I would guess we are going to see Coast Guard boats there for some time to come. However, I should tell you that in my opinion the boats in that area are not totally lost to law enforcement. We have wanted for a long time to provide a presence in the eastern Caribbean on a more continuing basis, and we have them there now.

COAST GUARD NNBIS ROLE

Senator CHILES. The National Narcotics Border Interdiction System focuses primarily on collecting intelligence, assessing threat, and prioritizing targets. It plays an important role in coordinating Federal activities. I noticed in your statement that the Coast Guard has been named regional coordinator in three of the six designated regions, and deputy regional coordinator in two others. Of the $6.3 million program supplemental for fiscal year 1984, $1.8 million is needed to finance the Coast Guard's NNBIS responsibilities.

In view of the fact that this Agency does not do interdiction, and interdiction at sea is the Coast Guard's primary mission in the drug war, why is the Coast Guard being asked to play a leadership role in so many of these regional systems?

If you would, elaborate for us on the activities of NNBIS, and particularly the Coast Guard's responsibilities in this effort.

Admiral GRACEY. First of all, Senator, I think it is entirely appropriate that Coast Guard admirals be the regional coordinators in the areas where we are, Miami, New Orleans, and Long Beach, because NNBIS is geared to interdiction. It is an interdiction activity. The object is to bring the activities of all of the various agencies into a coordinated totality in addressing the interdiction problem.

In those areas, the problem is primarily maritime. The interdiction is maritime, or aircraft flying over maritime regions. That is our business, interdicting at sea. So it is totally appropriate for us to do it.

I think that you in your statement described some of the functions they are performing in those centers, and I think you did it very well. I don't know whether I can expand on that or not. They are gathering intelligence, and they are coordinating the actions of the various agencies involved.

In each of the centers there are representatives of all of the military services, and Drug Enforcement, Customs, and so forth. They are on watch, working with the data that comes in, massaging intelligence, massaging data, and turning it into tactical data from strategic information.

Some of the information comes from EPIC, but that tends to be more long range and more strategic type of information. Whereas when the real time information comes into these centers, the tactical experts are there, and they can massage it. Each one knows what his or her own agency units are doing, and they can put it all together in a coordinated effort, or more concentrated as the case may be.

SOUTH FLORIDA EQUIPMENT

Senator CHILES. In your statement on page 2, I notice your discussion of the new facilities and equipment that will be available in fiscal year 1985, including a new 270-foot medium endurance cutter, 14 additional short range recovery helicopters, and three production Aireye sensor systems for use on medium range surveillance aircraft. Not included in this list, but hopefully to be available, are the eight patrol boats that we talked about earlier.

How much of this new equipment will be available to support the drug interdiction activities of the South Florida Crime Task Force?

Admiral GRACEY. Senator, some of it is directly aimed for the South Florida Task Force, and some is multimission which will operate there much of the time, but it is not necessarily going to be based there.

Those things which are going to directly contribute are a law enforcement information system implementation. We will continue full-year operation of the tugs *Ute, Lipan,* and *Escape. Ute* and *Lipan* are operating out of Key West, but all three of them operate in that region.

We are going to be operating the WPB's. I am determined we are going to operate the WPB's. We have an increase of our law enforcement support personnel, and we are spending quite a bit of money on the support capability at our base in Miami. We are enhancing our radar surveillance in the Caribbean.

As to the range of facilities that will be coming in and out of the program, we have the new ships, the 270-footers, we have the FRAM work on the high endurance cutters, the Aireye sensor package, the new helicopters, the new aircraft, and so forth.

We are expanding our air station in Puerto Rico to take the HU–25's, which will give fixed-wing coverage in that area. We are providing secure voice communications. The Aerostat is underway.

All of those things considered, those program enhancements will impact on South Florida Task Force, Senator.

CUBAN/HAITAN INTERDICTION

Senator CHILES. I want to compliment you on the Coast Guard's Cuban/Haitan interdiction program. So far this year, seven vessels have been interdicted, and 349 people have been turned back. Based on the actual arrivals to our shores in the INS estimate of the average historical number of arrivals to our shores each year, the program is about 95 percent effective.

In addition to the Coast Guard cutter *Vigorous* operating in the Windward Passage, the Coast Guard also operates a northern patrol off the coastal area between Fort Lauderdale and Palm Beach. Last year, the subcommittee directed that the Coast Guard continue its interdiction program and expand it beyond the Windward Passage to all Coast Guard cutters patrolling the waters off of south Florida.

I trust that the current interdiction program is complying with the guidance given by this subcommittee to the Coast Guard last year.

Admiral GRACEY. Yes, indeed, it is, Senator. All of our cutters are patrolling.

Senator CHILES. I hope that you don't have any plans to discontinue your interdiction patrols, and you are going to be continuing those as part of you regular program?

Admiral GRACEY. No; as a matter of fact, you might be interested to know, if you haven't already heard, that just last week we intercepted a boatload of miscellaneous illegal immigrants right off of the coast of Georgia.

So they are moving farther north, but this indicates that our vessels, even out of the so-called designated areas, are alert for this and are moving in on the problem.

CONTRACTING OUT A-76

Senator CHILES. The chairman has already asked you about this change of 755 positions. I am a little bit concerned in your answer on the A-76 contracting out.

My understanding is that these positions are going to be reduced and then we are going into the contracting out process. If that doesn't fit, and we find out that contracting out is not going to take care of all of these positions, it seems to me that OMB has already got your positions. Aren't you going a little bit on faith that you will be able to contract out 755, when that happens after the positions are already reduced?

Admiral GRACEY. Yes, Senator, we are. Ideally, you would do this ahead of time.

Senator CHILES. That is something that the subcommittee may want to look at, because it sounds to me like OMB is saying, "We will take the 755 positions. We think that is what you will be able to contract out." If the contracting out doesn't happen, you have still lost those positions.

The reason I think this is important is because we know of the rotation, so these will have to be shore duty positions necessarily. I don't think that we are going to put contractors or civilians out on the sea.

If you lose those positions, and they aren't made up, it sounds like to me that you are going to reduce some of your fleettime, or increase some of your fleettime and not be able to have all of the rotation that I think is necessary for your morale.

Admiral GRACEY. Senator, one of the things we insisted on putting up front is the protection of the sea/shore or isolated duty-home rotation, our force structure, and our ability to respond to our mobilization requirements. That is going to come off the top. We will resist strongly A-76'ing any military functions beyond those levels.

Senator ANDREWS. The trouble is, Admiral, as the Senator from Florida is aware, there is a study being done by the Office of Management and Budget about this contracting out. The trouble is that the study is not going to be available until about the beginning of the next fiscal year, which is after this bill has gone through the committee.

As Senator Chiles points out, it is an extremely important area, and we may have to adjust a supplemental as a result of what comes out of this study, and what we do find about these positions and how they can be in fact contracted out.

Admiral GRACEY. I can only tell you, Senator, that when this topic was discussed in the course of putting together the budget, I listened to a rather extensive discussion of A-76 by a gentleman from OMB who has a great deal of experience in this field. I must say that he was very persuasive, and I am not using that word in a smart-alecky way. He was persuasive. He has had a lot of experience.

These figures were their best estimate. I don't know whether I am happy with them or not. Ideally, I would like to pin it all down before we ever get there. You have to take something on faith, as you said. There wasn't time to go through the whole process on this one. So we are going to have to wait and see. We are determined that we will protect our best interest in terms of the kinds of things that we were talking about.

A-76'ing is not all bad in some areas because if you have a contractor who is responsible for some of the kinds of things where we are perpetually trying to live with personnel shortages, where we have the mobility I was talking about, where people keep changing jobs, it is the contractor's problem to make sure there is somebody working every day.

If personnel vacancies now occur, we frequently endure a 3-, a 5-, or a 6-month vacancy, with nobody doing the work while we try to get authority to hire. So it is not all bad. If we can do A-76 in the right place, and at the right times, I think it is going to be of some benefit.

C-130 MODERNIZATION

Senator CHILES. Admiral, you are modernizing your C-130 fleet, the HERCULES. You have five remaining C-130's in the fleet of 25 that need to be modernized. The 1985 budget request includes funding for two of those, leaving three deferred to be done in 1986 or later. My understanding is that that is a change and updating of instrument panels, among other things.

Do you believe that it would be inadvisable to have a mixed C-130 fleet, some with the old instrumentation and some with the new. Is that something where there could even be some problem of safety?

You are going to be putting pilots on one day in C-130 with old instrumentation, and the next day in one with new. Would it be more advantageous to fund the additional C-130 modernization in 1985, so that the fleet could have identical instrumentation panels?

Admiral GRACEY. Senator, all other things being equal, I would prefer to have all of the C-130's alike. We have always sought to standardize and there is a safety problem if you have pilots shifting to different configurations from day to day.

What we would do, in the present instance, is not create a situation where we would have pilots shifting aircraft from day to day. We would take all three and put them at a three-aircraft station, and the pilots there would fly nothing but that instrument panel. The problem with that, of course, is that it reduces our flexibility to move our aircraft and pilots around.

Senator CHILES. The current fleet is now 25, and the House authorization bill would increase it to 29. In your personal opinion, how many C-130's are required by the Coast Guard to meet your mission requirements? If you get those additional units, where would you locate them?

Admiral GRACEY. Senator, so much of that depends on what is going to happen. As part of our long range planning effort, we routinely

analyze what we think is going to happen, and trends that may impact us out into the future. We translate what we see into resources that we are going to need then. We have done that. We do that regularly. For aviation, the best guess that we can see for the future is that there will, in the long range, be a need for about 31 of these aircraft, and I am talking about into the 1990's.

If we got the three additional, or whatever it is, we would probably wind up with 13 on the east coast and gulf coast, 3 on west coast, 3 in Hawaii, and probably 7 in Alaska. But that has not been by any means decided, this is our rough guess as to where we think we would put them.

By east coast and gulf coast, I obviously mean Clearwater and Elizabeth City, our two C–130 stations. So we would beef up most of those. There are seven now at those two stations, and if we had this increase, we would mix it that way.

SUBMITTED QUESTIONS

Senator CHILES. Mr. Chairman, I have some additional questions that I can submit for the record. We have had a long hearing, and I thank you for your patience.

Senator ANDREWS. Thank you, Senator. We will have those for the record.

Senator Stevens also has some questions for the record, and I do. It may be that other Senators as well on the subcommittee will have questions for the record.

We appreciate your coming, Admiral, with your group.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

SEARCH & RESCUE

SENATOR ANDREWS: What will be the long-term impact on Coast Guard's SAR activity as a result of better weather forecasting, increased boater education under the state grant program, cheaper LORAN equipment and better boat and engine construction?

ANSWER: Better weather forecasting, increased boater education under the state grant program, cheaper LORAN equipment and better boat and engine constuction would all have a long-term positive impact in reducing SAR activity. Boat owners are advised to obtain adequate electronic equipment for alerting SAR activities of any emergencies and for monitoring weather forecasts. The state grant program is intended to improve recreational boating safety and its long term goal is to further reduce the rate of boating accidents and related SAR cases. The Coast Guard Auxiliary provides continuous classes on boating safety for the boating community. The Coast Guard works with the boat manufacturers to make better boats and engines.

SENATOR ANDREWS: How do you forecast the SAR workload?

ANSWER: The forecast of SAR workload is based on historical data and projections of population, GNP, level of employment, personal income, and production of durable goods. The latter variables have been found to be correlated with SAR caseload change. Future predictions of these variables, using both government and non government estimates, are determined and an overall SAR caseload change is forecast corresponding with these predictions. An average of SAR activity in recent years is used as the starting point for these projections.

SENATOR ANDREWS: How has the composition of SAR cases changed since 1978 by district and by type of case?

ANSWER: Since 1978 the Seventh and Eighth Districts have assumed a modest increase in the overall percentage of Coast Guard SAR responses. This reflects the shift of population to the "sunbelt". During the same period the Third, Fifth and Thirteenth Districts have declined slightly. The remaining Districts have not shown a significant change.

Over the same period, there has been a change in the distribution of cases by severity. The percentage of cases classified as "slight" has dropped while those classified "none" and "moderate" have increased. The category "severe" has remained constant.

SENATOR ANDREWS: What implications do these trends have for the Coast Guard in 1985 and the future?

ANSWER: The increasing SAR demand in the Southeastern U.S. will cause a burden on existing stations and personnel. New and renovated vessels and aircraft, improved sensor capabilities, upgraded shore facilities and continued boating safety emphasis are all factors which will enable the Coast Guard to meet the SAR needs anticipated in the future.

LAW ENFORCEMENT

SENATOR ANDREWS: What changes have occurred in the level of commercial fish stocks since the Fisheries Conservation Zone was established? What are the forecasts through 1990?

ANSWER: The Coast Guard's primary function in fisheries is to enforce the law within the Fisheries Conservation Zone. The National Marine Fisheries Service (NMFS) is primarily responsible for the management of stocks and advised that generally most stocks previously exploited by foreign fishermen including most demersal fish (i.e., cod, haddock, yellowfin sole, flounder, hake) and pelagic fish, (i.e., whiting, mackerel) have increased significantly since 1977 while a few stocks (i.e., king crab, tanner crab, shrimp) have declined. Projections through 1990 include continued recovery for most stocks while a decline in some stocks (i.e., striped bass, blue fish) is foreseeable without implementation of workable management measures.

SENATOR ANDREWS: What have been the major trends in Coast Guard boardings of fishing vessels (foreign versus domestic; among fisheries; number of minor versus major infractions)?

ANSWER: The major trends in boardings and infractions are summarized in the graph below. The trends by fisheries are not available. The new information system currently being developed will enable us to analyze this aspect.

FISHERY ELT DATA

	FY78	FY79	FY80	FY81	FY82	FY83
Boardings Foreign	1,244	648	464	535	557	539
Boardings Domestic	1413	1127	1441	1385	1497	2539
Total Minor Infractions	300	105	89	126	214	205
Foreign	246	81	59	84	152	117
Domestic	54	24	30	42	62	88
Total Major Infractions	166	91	125	248	192	252
Foreign	92	42	59	184	127	65
Domestic	74	49	66	64	65	187

SENATOR ANDREWS: How do you determine how many fisheries' boardings and aircraft patrols are conducted each year?

ANSWER: Patrols by cutter and aircraft are scheduled with a goal of boarding each vessel at a minimum frequency depending on location, type of fishery, prior violation record and the availability of resources to conduct the patrols.

SENATOR ANDREWS: How do you measure your success or effectiveness in maritime drug interdiction?

ANSWER: It is difficult to quantify our effectiveness because of the clandestine nature of drug smuggling. Our preferred measure of effectiveness (MOE) is the proportion of illegal drugs seized of

that shipped by sea. We call that proportion the interdiction rate. However, it is important that it be viewed with the amount seized (or shipped) and a measure of the effort expended (cutter drug enforcement resource hours). The major difficulty with this MOE is to accurately estimate the total amount of the illicit drugs being shipped by sea. The National Narcotics Intelligence Consumers Committee (NNICC) estimates that 11 - 19 million pounds of marijuana are smuggled into the U. S. by sea each year. This is roughly 60 - 65 percent of all smuggled marijuana. The NNICC estimates the amount of marijuana in the U. S. market and estimates the proportion of that which was supplied by maritime shipments. We add to that the maritime marijuana seizures to estimate the amount of marijuana shipped by sea. However, the NNICC estimates have over a year time lag. Table A, below, shows these MOEs for calendar years 1981 and 1982. The MOE for 1983 could not be calculated because the NNICC estimate is not yet available. Table B, below, summarizes Coast Guard seizures and arrests for calendar years 1981 through 1983.

TABLE A: MARIJUANA INTERDICTION MOEs

CY	MJ SEIZED (MILLION LBS)	MJ SHIPPED (MILLION LBS)	% OF SEABORNE MJ SZD	(CUTTERS) ELT RES HRS
81	2.82	16.97	17%	82,217
82	3.73	18.53	20%	112,529

TABLE B: COAST GUARD DRUG INTERDICTION SEIZURES AND ARRESTS

	CY 1981	CY 1982	CY 1983
CG CASES	173	233	256
ARRESTS	737	991	817
VESSELS	146	174	164
MJ LBS	2,629,273	3,535,985	2,388,758
COCAINE LBS	40.10	9.11	46.20
HASHISH LBS	34,580	0	29,962
HASH OIL GALS	7	0	10
THAI STK LBS	0	3,190	0
DRUG DOSES	5,961,009	61,628	100
CG ASSIST CASES	22	33	31
ARRESTS	66	87	56
VESSELS	21	28	25
MJ LB	186,991	194,073	116,450
COCAINE LBS	96.10	784.01	1,000.01
HASHISH LBS	0	18	0

SENATOR ANDREWS: According to an April 4, 1984, article in the Washington Post, there has been a shift away from maritime smuggling of marijuana toward domestic cultivation. Projecting out a few years, what do you see happening by 1986 or 1987?

ANSWER: Marijuana consumption in the United States during 1983 was estimated at 13,600 to 14,000 metric tons, a six percent increase over 1982. Domestic production, which accounted for approximately 14 percent of the total U.S. supply, remained relatively unchanged from 1982. Colombia remained the principal foreign source of marijuana for the United States and for the second consecutive year 67 percent of all marijuana imported into the U.S. came from there.

Projecting to the future, cultivation of domestic cannibis will become more sophisticated and widespread, however, domestic eradication efforts will also continue to rise. In 1984 approximately 47 states are expected to participate in the eradication program. Foreign supply of marijuana to the U.S. market will continue to be the primary source, with maritime shipments the principal method of importation.

SENATOR ANDREWS: The trend data from the National Intelligence Estimate developed by the National Narcotics Intelligence Consumers Committee is usually a year or two old by the time it is published. For example, we only have 1982 data available while we're considering a budget for 1985. How do you forecast what your 1985 operations should look like?

ANSWER: In addition to the type of externally provided information you cite, in formulating the budget submission for any given year, the Coast Guard draws upon internally generated reports and statistics to forecast the operational scenario which will exist during the budget year. Annually, each of the various Operating Program Managers in Coast Guard Headquarters formulates an Operating Program Plan (OPP) which covers a five year period commencing with the year two years after the year currently being addressed in the budget process. The OPPs being prepared now, for example, are for the FY1987-1991 time period. Once approved these plans serve as the basis for program planning, policy development, and subsequent programming actions. Since the plans are updated annually, based on current operations, and a review of all available intelligence and other current information, they serve as an effective basis for forecasting future operations and resource needs.

SENATOR ANDREWS: What is the relative cost-effectiveness of interdiction and eradication in terms of removing drugs from the supply chain.

ANSWER: When the President declared war on drugs in 1982, he directed that a five-pronged Federal Strategy be implemented. Two of the five prongs are International Cooperation, which includes eradication, and Drug Law Enforcement, which includes interdiction. As the Nation's primary maritime law enforcement agency, the Coast Guard concentrates its law enforcement efforts on the interdiction of drugs bound for the U. S.. In this capacity we are not in a position to comment on the cost effectiveness of eradication. We have, however, been able to develop a rough measure of our interdiction effectiveness and thus a measure of the drugs removed from the supply chain as previously mentioned.

SENATOR ANDREWS: How many contracts for services does the Coast Guard currently have in effect (such as maintenance, security, food service, overhaul work)? How much money is involved in these contracts? Are you satisfied with the quality of service that you get?

ANSWER: Six hundred and thirty-eight active service contracts were in effect as of 10 April 1984. The total value of these contracts is approximately $123 million. Generally, the contractors have performed satisfactorily.

CONTRACTING

SENATOR ANDREWS: How many in-house activities does the Coast Guard plan to study in 1984 and in 1985 under the criteria of OMB Circular A-76? How many military and civilian personnel are covered by these activities? What percentage of these reviews is likely to result in a finding that a contractor is less costly than doing the work in-house?

ANSWER: The Coast Guard currently plans to review a total of 228 in-house activities in 1984 and 1985 under OMB Circular A-76. 1,200 military billets and 452 civilian positions are involved at these activities. The reviews will focus on support activities such as custodial services, equipment maintenance, grounds and building maintenance, food services, data processing, and security. We cannot estimate at this time what percentage of these reviews will be converted to contract.

C-130S/HU-25AS

SENATOR ANDREWS: How many hours did your C-130s and HU-25As fly in 1981 through 1983? What are your projections for 1984 and 1985? What was the distribution of those hours by type of program, training, maintenance, etc?

ANSWER: The following table lists the number of flight hours Coast Guard C-130s and HU-25As flew in FYs 81 through 83 and the flight hour projections for FYs 84 and 85:

AIRCRAFT	FY-81	FY-82	FY-83	FY-84	FY-85
C-130	16,991	16,574	16,740	16,400	16,400
HU-25A	0	2,368	13,977	19,200	27,200

The distribution of C-130 and HU-25A flight hours by program for FYs 81 through 83 are as follows:

	FY-81	FY-82		FY-83	
	C-130	C-130	HU-25A	C-130	HU-25A
COMMERCIAL VESSEL SAFETY	0	0	0	0	0
BOATING SAFETY	54	101	0	40	0
SEARCH AND RESCUE	5,416	3,315	91	3,537	2,264
DOMESTIC ICE OPERATIONS	36	3	0	0	0
POLAR OPERATIONS	245	23	0	9	21
MARINE SCIENCE ACTIVITIES	600	628	0	680	18
ENFORCEMENT OF LAWS AND TREATIES					
FISHERIES	2,185	2,437	4	2,777	616
DRUGS	1,342	1,871	49	2,224	2,255
OTHER	56	1,378	8	291	571
MILITARY OPERATIONS	44	44	0	398	1
OPERATIONAL TRAINING	4,283	4,361	2,019	3,675	6,983
AIDS TO NAVIGATION	1,054	904	0	1,467	9
PORT SAFETY AND SECURITY	0	19	0	1	6
MARINE ENVIRONMENTAL PROT	497	114	0	87	40
TEST/FERRY	526	705	82	711	611
OTHER/MISC	653	671	115	843	582

SENATOR ANDREWS: How many C-130 flight hours are devoted to training? Can that time be reduced, or can that training be conducted simultaneously with drug and fisheries patrols?

ANSWER: In FY-83, 3,675 C-130 flight hours (21.9% of the total C-130 flight hours) were dedicated to training.

Training is "overhead" required to upgrade pilots and crewman and maintain the proficiency of already qualified pilots and crew.

FY-83 data indicates the number of C-130 flight hours dedicated to training approximates the Coast Guard established flight hour requirements needed to support pilot upgrade, aircrew training and a minimum level of proficiency. Hence, it cannot be reduced. Approximately 6% of training was conducted during operational missions such as drug and fisheries patrols. However, the aviation skills required are far too numerous and varied to be satisfied just in the course of normal operations. Consequently, flight hours must be devoted to learning and maintaining skills in tasks which are not regularly experienced during operational flying.

SENATOR ANDREWS: What is the average number of hours each C-130 flies each year? Can you increase the average number of hours flown each year?

ANSWER: All but three Coast Guard C-130s are programmed to fly 800 hours per aircraft annually. In order to improve aircraft productivity and to attempt to meet flight hour requirements with available resources, three C-130s are programmed to fly 1,200 hours per aircraft annually by increasing operating and maintenance funds and providing additional pilots and maintenance personnel. Experience has shown that the ability to produce the additional flight hours associated with the 1,200 flight hour C-130s is sensitive to a number of variables independent of funds and personnel. The successful application of the "augmented" C-130 concept is largely dependent on an individual air station's operational mission profile and operating environment. It is clear that good flying weather and missions requiring long patrol sorties, such as law enforcement surveillance patrols, facilitate the employment of augmented aircraft.

SENATOR ANDREWS: What is the operating radius of the HU-25A? What areas of the Gulf of Mexico and Caribbean area are you able to patrol with HU-25A aircraft?

ANSWER: The operating radius of the HU-25A is up to 800 nautical miles depending on existing weather conditions. This assumes transiting at high altitude, an on scene duration of 30 minutes, and the aircraft returning to the point of departure to refuel.

HU-25As stationed at Air Stations Corpus Christi, Miami, Borinquen and ATC Mobile are capable of conducting patrols throughout the Gulf of Mexico and Caribbean. However, while the HU-25A is capable of search and rescue anywhere in the Gulf of Mexico and Caribbean, its limited range and on scene endurance limits its capability to conduct lengthy search and surveillance patrols at distances far offshore.

SENATOR ANDREWS: How many suspect drug vessels have been identified by Coast Guard aircraft in each of the past three years?

ANSWER: The Coast Guard does not keep these specific statistics. It is not uncommon for successful maritime interdictions to involve aircraft to some extent. For example, fixed-wing aircraft patrol areas frequented by smugglers and routinely detect profile vessels which are then targeted for surface interception and boarding. Cutters with deployed helicopters likewise use their air support very effectively to investigate and classify radar contacts rapidly and efficiently. Aircraft are also frequently used in response to specific intelligence reports.

PERSONNEL

SENATOR ANDREWS: There appears to have been a steady increase in the number of officers in the Coast Guard over the last decade. To what do you attribute this trend? Please provide a ten year history of your military personnel, by grade.

ANSWER: The growth in the officer corps in recent years has primarily been the direct result of newly assigned and expanded missions and responsibilities. In particular most officers have been added for Law Enforcement Operations and Environmental Protection. The Executive Initiative on Drug Enforcement caused an increase of 191 officer billets. The effort to Control Water Pollution resulted in an increase of 197 officer billets. Fisheries Conservation and Management increased the number of officer billets by 169. The regulatory and law enforcement nature of these missions require the education and expertise inherent within the officer grade levels. In FY84, the Coast Guard absorbed 149 Public Health Service billets into the officer corps.

TEN YEAR HISTORY OF PERSONNEL STRENGTHS FOR THE COAST GUARD FROM FY-1974 TO FY-1983

FY	OFFICER	WARRANT	CADET	ENLISTED	TOTAL
1974	4,495	1,236	1,087	29,912	36,730
1975	4,401	1,229	1,177	29,981	36,788
1976	4,498	1,297	1,057	30,960	37,812
1977	4,589	1,300	972	31,297	38,158
1978	4,771	1,344	881	30,738	37,734
1979	4,902	1,438	806	31,413	38,559
1980	4,997	1,466	877	32,041	39,381
1981	5,042	1,477	981	32,260	39,760
1982	4,966	1,465	902	30,915	38,248
1983	5,078	1,457	811	32,362	39,708

SENATOR ANDREWS: How does the Coast Guard decide whether a job will be performed by military, civilian or contract personnel?

ANSWER: Our staffing policy recognizes that the Coast Guard is one of the nation's five military services. As such, training, security, discipline, or combat readiness, and the need for rotational tours following shipboard, overseas assignments, or isolated duty are considered. Personnel requirements for management functions consider the law, if the skills must be acquired primarily through military training and experience, or if experience is necessary for proper career development. Personnel requirements at shore units are considered civilian unless military billets are required for one or more of the reasons already described.

An additional consideration is whether a particular function should be performed in house or by contract. This decision rests on the potential impact on the Coast Guard military personnel system (sea-shore is taken for example) and the economics of the situation. If the loss of personnel will not underman the military personnel system then an analysis of life-cycle costs to the government as defined by OMB Circular

A-76 is conducted. If it is more economical to perform the work by contract the military (or civilian) billets are eliminated and salaries used to defer contract costs.

SENATOR ANDREWS: How does the percentage of personnel in the Coast Guard who are military compare with the percentage of personnel in the other Armed Services who are military?

ANSWER: The following table shows the status of military personnel to total personnel as of 30 September 1983:

COMPARISON OF MILITARY STRENGTH TO TOTAL EMPLOYMENT
FOR ARMED SERVICES AS OF 30 SEP 83

	USCG	ARMY	NAVY*	AIR FORCE
Military	39,708	779,643	751,662	592,044
Civilian**	5,975	369,229	333,756	240,977
Total	45,683	1,148,872	1,085,418	833,021
Military as % of Total	86.92	67.86	69.25	71.07

*Includes USMC Military and Civilian Personnel
**Total Direct Hire

Sources of DOD strengths are Military Manpower Statistics, SEPT., 1983 and Civilian Manpower Statistics, SEPT., 1983.

FY 1984 PROGRAM SUPPLEMENTAL
NATIONAL NARCOTICS BORDER INTERDICTION SYSTEM

SENATOR ANDREWS: Provide a breakdown of the $1.8 million National Narcotics Border Interdiction System (NNBIS) supplemental request, by location, numbers of staff and types of supplies and equipment to be purchased.

ANSWER: These costs include initial outfitting of offices (desks, cabinets, computers, copiers, communications equipment, etc.), office rental, vehicle rental, training, travel, and service contracts.

New York office	$ 25,000
* Miami office	
Intelligence Operations Center	$ 275,000
Law Enforcement Boarding Teams	$ 375,000
El Paso office	$ 50,000
* New Orleans office	$ 500,000
* Long Beach office	
Intelligence Operations Center	$ 275,000
Law Enforcement Boarding Teams	$ 100,000
Coast Guard Pacific Area	$ 200,000
TOTAL	$1,800,000

There are no additional personnel associated with our request.

The following is a breakdown of personnel internally programmed to NNBIS:

* Miami	27	(includes 21 previously provided for Vice President's SEUS Task Force)
* New Orleans	12	
* Long Beach	27	
New York	9	
Chicago	6	
El Paso	3	
White House	2	(Vice President's Staff)
TOTAL	86	

* Coast Guard heads these offices.

SENATOR ANDREWS: Identify all six designated regions, those where Coast Guard Officers are Regional or Deputy Coordinators, and whether each location is collocated on an existing Coast Guard or other Federal facility.

ANSWER:

REGION	COORDINATOR	DEPUTY COORDINATOR	LOCATION
Northeast	U. S. Customs Service	U. S. Coast Guard	N.Y. U. S. Customs Office
Southeast	U. S. Coast Guard	U. S. Customs Service	Seventh Coast Guard District Office
Northern Border	U. S. Customs Service	U. S. Coast Guard	Chicago Customs Office
Gulf	U. S. Coast Guard	U. S. Customs Service	Eighth Coast Guard District Office
Southwest Border	U. S. Customs Service	None	El Paso U. S. Customs Office
Pacific	U. S. Coast Guard	U. S. Customs Service	Eleventh Coast Guard District Office

SENATOR ANDREWS: Provide an estimate and description of costs incurred to date in FY-1984 for this activity. Compare the Coast Guard's supplemental request to that of other NNBIS-involved agencies.

ANSWER: Coast Guard has expended approximately $825,000 to date on NNBIS activities. We are not aware of similar requests from other NNBIS - involved agencies.

UNEMPLOYMENT COMPENSATION

SENATOR ANDREWS: Has the cost of reimbursing the Department of Labor for unemployment payments to former Coast Guard personnel been included in the FY 1985 operating expense request? If so, how much is included and how many personnel are assumed to receive benefits in FY 1985.

ANSWER: Yes, a total of $3,000,000 has been included for payment of unemployment compensation benefits in FY 1985. It is expected that approximately 1830 former Coast Guard personnel will receive benefits in FY 1985.

SENATOR ANDREWS: How many claims has the Department of Labor paid to date this fiscal year? To how many persons?

ANSWER: The Coast Guard has received one billing from the Department of Labor. This was for the period 1 October through 31 December 1983. Thirty-four states had paid 480 claims to 243 persons for a total of $359,000.

DOJ LAW ENFORCEMENT FUNDING

SENATOR ANDREWS: Provide a breakdown of the use of $2 million provided to the Coast Guard by the Department of Justice. Will the Department of Justice reimburse the Coast Guard $2 million yearly?

ANSWER: FY 1983 is the only year for which the Coast Guard expects to be reimbursed by the Department of Justice. The following is a breakdown of the use of the $2 million provided in FY 1983 to enhance the capability of Coast Guard forces:

• Computer systems for access to law enforcement data base	$509,355
• Computer add-on devices	46,926
• Upgrade systems for cutters, plus spares and documentations	494,756
• Upgrade receivers for small boats	247,418
• Security upgrades to the Operational Computer Center and field units	294,200
• Transfers to the field for travel, transportation, temporary duty, equipment, services, maintenance, communications and security in support of Drug Enforcement activities	325,671
Total	$1,918,326

SENATOR ANDREWS: What operational expenses cannot be met by either the Department of Justice funds or regular Coast Guard funds?

ANSWER: The $200,000 requested in our FY 1984 Program Supplemental will fully fund all recurring operating expenses (for travel, transportation, temporary duty, services and maintenance) in support of the Organized Crime Drug Enforcement Task Force.

Annualization of Pay Raise

SENATOR ANDREWS: What is meant by the request (page 42) for additional funding to restore a portion of the FY 1984 pay raise?

ANSWER: In FY 1984, the Operating Expenses Appropriation absorbed $6,102,000 (26%) of the total cost of the FY 1984 pay increase. This absorption was made possible through the implementation of one-time cost savings. These savings consisted of deferring lower priority maintenance and new equipment purchases. This request seeks to restore those funds which were used to meet this one-time need.

SENATOR ANDREWS: Provide a detailed breakdown of the total increase of $13.5 million, and comparison to costs over the previous two years to annualize current year pay raises.

ANSWER: The breakdown is as follows:

Operating Expenses	1985	1984	1983
Civilian Personnel	$3,139,000	$2,154,000	$ ...
Wage Board	263,000	315,000	...
Military	10,054,488	13,200,000	7,797,000
Total	$13,511,411	$15,669,000	$ 7,797,000

SENATOR ANDREWS: Is this FY 1985 increase factored on the 755 fewer personnel?

ANSWER: The reduction of 755 personnel is the net reduction of 799 direct positions within the Operating Expenses Appropriation and an increase of 44 positions within the reimbursable category. Funds are not and were not requested for reimbursable positions. This request for additional funds was factored on the reduction of 799 direct positions within the Operating Expenses Appropriation.

SENATOR ANDREWS: The FY 1984 January pay raise of 3.5% was increased to 4% by the 1983 Omnibus Reconciliation Act. Was this 1/2% increase assumed in the budget?

ANSWER: This 1/2% pay increase for civilian employees was not provided for in the Coast Guard's original budget request.

SENATOR ANDREWS: How will the Coast Guard absorb this amount?

ANSWER: This pay raise will be financed during the budget year by deferring lower priority maintenance and equipment purchases.

SENATOR ANDREWS: What is the total increase necessitated by this legislation?

ANSWER: The Coast Guard's FY 1985 civilian pay costs will increase $493,800 as the result of this legislation.

LAW ENFORCEMENT INFORMATION SYSTEM (LEIS)

SENATOR ANDREWS: What was the total development cost of the Law Enforcement Information System (LEIS)? What is the total future cost for implementation?

ANSWER: The development cost of LEIS's Drug Seizure Data Base and the Summary Enforcement Event Report (SEER) prior to the FY 85 budget item is $919,800. These costs are broken down as follows:

Workload Study -	$50,000
OCC Upgrades -	$225,000
ELT Applications -	$125,000
Security Enhancements -	$294,200
Standard Terminals -	$225,600

The development work has been performed largely by Coast Guard staff members with some work contracted to the Transportation System Center at Cambridge, MA. The $580,000 budgeted for FY85 will complete the implementation of SEER.

SENATOR ANDREWS: In which district office will LEIS be implemented in FY 1985? When will it be used nationwide?
ANSWER: All district and area offices were given access to the Drug Seizure Data Base at the end of February 1984. The implementation plan for SEER calls for high and medium endurance cutters in Atlantic Area (Districts 1, 3, 5, 7 and 8) to begin reporting in the SEER format on 1 August 1984. Further implementation is scheduled as shown in the table below.

TABLE: SEER IMPLEMENTATION SCHEDULE

Atlantic Area High Endurance and Medium Endurance Cutters	1 AUG 84
Atlantic Area Air Station and Patrol Boat	1 SEP 84
Pacific Area Non-Alaskan Patrol High Endurance and Medium Endurance Cutters	1 OCT 84
Alaskan Patrol High Endurance and Medium Endurance Cutters	1 DEC 84
Other units assigned to Law Enforcement mission	(UNDETERMINED)

Note: The schedule will be adjusted based on the modifications found necessary to handle the increasing volume of information.

SENATOR ANDREWS: What savings will result from increased productivity using LEIS nationwide?
ANSWER: The expected productivity of this information system is discussed below. These are not easily quantified:

o This system fills a need identified in many Federal studies. Information systems are needed to track drug interdiction efforts and results. For example, the General Accounting Office recommended in their report to Congress entitled "Federal Drug Interdiction Efforts Need Strong Central Oversight" of June 13, 1983 that the agencies involved "work together to develop a management information system(s) which accumulates interdiction program results such as drug seizures, level of prosecution and case disposition, and identifies the resources devoted to drug interdiction programs."

o The Drug Seizure Data Base provides a central repository for information on seizures of illicit drugs which involved the Coast Guard. Standards for storing and presenting the data are being worked out with the other drug enforcement agencies.

o The Summary Enforcement Event Report (SEER) system will provide the ability to measure the time and effort expended by our units on law enforcement globally or in specific areas and the results of those efforts. We will be able to better estimate traffic densities and violation rates in various regions. We will be able to have rapid access to past information collected during Coast Guard patrols. We expect to be more effective at interdicting

the drug flow through improved patrol planning and improved feedback to patrolling units. We will be better using the time of those working in our Operations Centers and Intelligence staffs. They will have more information available on which to base resource assignment decisions, instead of spending time collecting information by hand. Planners of longer term strategies and resource requirements will have an information base from which to work.

SENATOR ANDREWS: How much of the $580,000 request (page 50) is associated with witness travel? Why does the Coast Guard bear this cost (instead of the Department of Justice)? Why not avoid travel by taking witness' depositions?

ANSWER: Depositions are most commonly used in civil proceedings. But the Coast Guard is increasingly faced with criminal proceedings, in which the defendant has the right to confront witnesses for the prosecution. In all cases, the decision to take depositions is beyond the control of the Coast Guard. By policy each federal agency pays for witness travel associated with programs under their cognizance. These Coast Guard witness travel needs primarily accrue as a direct product of our maritime law enforcement mission. About $180,000 of the request is associated with witness travel. The Coast Guard has borne this cost and finds that it avoids the significant additional administrative burden of the reimbursement process (which actually increases rather than reduces the cost to the Government).

OPERATING EXPENSES - OBJECT CLASSIFICATION

SENATOR ANDREWS: Is the increase of $350,000 (page 51) for intelligence collection travel included in the travel increase to $43.6 million in FY 1985? Provide for the record a travel comparison for FY 1983-85 by Coast Guard activity, number of trips domestic and international, and a detailed explanation of the FY 1985 increase.

ANSWER: The $43.6 million FY 1985 travel estimate includes intelligence collection activity requirements. The $350,000 for maritime intelligence information includes $150,000 for Coast Guard direct travel and $200,000 for other support including reimbursement for intelligence gathering services provided by other agencies.

The Coast Guard exercises decentralized travel management and does not maintain detailed activity information on numbers and types of trips, domestic and international. To obtain this specific information would require field activities to review travel order files and manually extract the data.

The $3.5 million FY 1985 travel increase includes $2.5 million for normal inflation and airline deregulation fare increases; $700,000 for a small(230) increase in the number of PCS moves; $150,000 for maritime intelligence collection activity travel; and $150,000 for a number of other smaller requirements, i.e., readiness exercise support, ELT training team expansion, medical monitoring of field personnel.

SENATOR ANDREWS: What "other" costs are included in "other services" (pages S-19)? This classification increases $40 million in FY 1985 over FY 1983, mainly because of maintenance costs. What steps have you taken to decrease this trend?

ANSWER: The "other" category under "Other Services" includes many small obligation categories which were summarized for presenta-

tion. Examples of these are obligations for recreation, marine science/ocean engineering, aids to navigation, and ordnance. As the A-76 contracting out program is implemented, salary costs will shift from the pay compensation object classification to the other services classifications where they will be used to pay for contracted services. This results in what otherwise appears to be a disproportionate increase in this category. Also, of the $40.0 million increase shown for "Repairs and Maintenance", $24.6 million is the result of increases in cost of living (5.3% in FY 1984 and 4.9% in FY 1985), and the balance reflects true increases in maintenance funding. Several efforts which are currently underway to reduce maintenance costs include: Programmed Depot Maintenance (PDM) for 3 HC-130s; overhaul for 14 HH-52A helicopters and 11 HH3F helicopters; extending Preventive Maintenance Systems to additional cutter and boat classes; testing Shipboard Computer Aided Maintenance Program (SCAMP) for three cutter classes; continued execution of 378-foot WHEC FRAM, 210-foot WMEC MMA, HC-130 PILOC, 180-foot WLB SLEP programs; major renovation programs for CGC GLACIER and CGC STORIS; and increasing the Ships Inventory Control Point (SICP) spare parts inventory. The procurement of new vessels (270-foot WMEC) and aircraft (SRR helicopters, MRS aircraft) will upgrade the Coast Guard fleet and also reduce maintenance costs. It should be noted, however, that while these steps seek to reduce maintenance costs, the higher maintenance expenditures of recent years have been extremely beneficial in addressing longstanding deficiencies that impaired operational efficiency. These can now be eliminated or alleviated, reducing the likelihood of serious problems later and buying time until longer term solutions, replacements and renovations, can be effected.

SENATOR ANDREWS: What "other" costs are included in supplies and materials (pages S-19)? Why is there a $7 million increase for this category in FY 1985 over FY 1983?

ANSWER: The "other" category under "Supplies and Materials", like that under "Other Services", is a summarization of many small obligations in various categories, which include obligations for personnel, general housekeeping, ordnance, medical, recreation, training, aids to navigation, and marine science/ocean engineering. The $7 million increase primarily includes amounts for cost of living increases (5.3% in FY 1984 and 4.9% in FY 1985), and includes a modest increase ($2.6 million) based on expected increases in total OE funding.

SENATOR ANDREWS: Explain what major equipment purchases this year and next necessitate the increases shown on page 29.

ANSWER: Most of the increase in "equipment" shown on page 29 is the result of increased procurement costs due to inflation (5.3% in FY 1984 and 4.9% in FY 1985) for small purchases of minor equipment. Procurement of major equipment is normally funded by the Acquisition, Construction, and Improvements appropriation. Examples of equipment purchases funded from Operating Expenses during this period are: handheld night vision scopes and improved stabilized optics for ELT detection; search and rescue equipment for Auxiliarists; spares for updated electronics equipment being used for FRAM and MMA projects; and portable recompression chambers for Coast Guard divers.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS PERSONNEL

SENATOR ANDREWS: Why is AC&I civilian full-time equivalent employment increased by 76 (55%) in FY 1984? Why is the comparable position increase only 22 (1%)? How many positions are currently filled? How many positions do you expect filled at the end of FY 1984?

ANSWER: During FY 1984, 22 Military AC&I billets are being converted to civilian positions, accounting for approximately 20 of the difference of 76 between actual FY 1983 FTE consumption and estimated FY 1984 FTE consumption. An additional increase of 25 is due to the regionalization process. Approximately 50 positions were moved to Norfolk and Seattle in the process of regionalizing the shore construction program. In order to minimize the effect upon personnel, the 50 positions were vacated through normal attrition and transfers. When the time to fill the positions after transfer to Seattle and Norfolk is also accounted for it is estimated that the 50 positions were vacant for an average of 6 months. The remaining difference of 31 was the estimated increase in FTE consumption due to the lifting of the hiring freeze. As of 1 May 1984, 188 of the 224 AC&I positions are filled. It is estimated that 193 will be filled by the end of FY 1984.

SENATOR ANDREWS: Why are FY 1984 military personnel benefits reduced only 1% when military positions are reduced 7%?

ANSWER: The military personnel benefits decrease is offset in part by the increase in FICA and the military pay raise in FY 1984.

SENATOR ANDREWS: Why is there a 16 position increase in FY 1985 for Aids to Navigation, despite a $36 million decrease?

ANSWER: The personnel estimate is distributed on the basis of total dollars anticipated for each budget activity.

55-FOOT BUOY BOAT PROCUREMENT

SENATOR ANDREWS: Compare the $800 thousand unit cost for the three requested 55-foot buoy boats with previous years' unit cost.

ANSWER: The comparison of unit costs for 55-foot buoy boats is as follows:

FY	NUMBER OF BOATS	UNITS COST ($ THOUSAND)
1974	3	250
1975	4	281
1976	7	400
1977	5	712
1984	3	933*

*The FY1984 estimate was based on a 1980 negotiated price with a projected 15% annual inflation rate. We anticipate contract award for these boats by July 1984 at which time actual cost will be known and adjustments to FY1985 estimates will be made as required.

SENATOR ANDREWS: What is the total number of ANBs already procured? What is the total program plan? How many 45-foot buoy boats have been replaced?

ANSWER: Nineteen ANBs have been procured. Three additional boats were funded in FY 1984. The original nineteen boats were not programmed replacements for aids to navigation boats but were designed to provide adequate servicing platforms for aids to navigation teams. The program plan is for thirty-one ANBs, the last twelve of which will replace 45-foot buoy boats.

140-FOOT ICEBREAKING TUG

SENATOR ANDREWS: What total savings have been realized by replacement of the 110-foot tugs with 140-foot tugs?

ANSWER: Our plan for the northeast coast calls for replacing the eight 110 foot tugs with four 140 foot tugs and two WPB type cutters. The eight 110 foot tugs are still in service on the northeast coast, so there has been no savings realized to date. The total savings on the six tugs that have been replaced in the Great Lakes is 35 personnel and about $150,000 per year in operating costs.

SENATOR ANDREWS: Why does the budget (page 78) indicate that future costs of $17.7 million are under review?

ANSWER: The estimated future costs for WYTM replacement on page 78 of the budget are shown as under review because the Coast Guard is developing an alternative plan for replacing the Northeast coast 110 foot tugs using a mix of 140 foot tugs and patrol boats. The details are still not final, but the plan will reduce the total cost of replacing the WYTM fleet.

STANDARD TERMINALS FOR VESSELS

SENATOR ANDREWS: What feasibility or system application study has been conducted on the Shipboard Computer Aided Maintenance Project (SCAMP)? What savings are estimated to occur as a result of this procurement? What are the results of OST, GSA and TSARC reviews of this system acquisition?

ANSWER: The feasibility of installing Standard Terminals on ships has been proven by the continued operation of the SCAMP prototypes (aboard Coast Guard Cutters CHASE and DALLAS) for the past two and a half years. Commanding Officers of these vessels have made favorable evaluation reports to Headquarters and to the Coast Guard Electronics Engineering Center (EECEN), which is implementing the SCAMP project. EECEN makes a quarterly project report to Headquarters. Systems applications studies are currently in progress with prototype SCAMP systems being installed on a 210' WMEC, 140' WTGB, 180' WLB, a Polar and a Wind class icebreaker. These prototypes will allow us to tailor computerized inventory and maintenance subsystems to each of the cutter classes. Direct savings are expected in the areas of reduced spare parts inventories and reduced equipment and cutter downtime due to more accurate inventory systems and Preventive Maintenance System (PMS) scheduling/ tracking. The amounts of these savings will not be known until the prototypes on all classes of cutters have been in operation for at least two years and the associated inventory and PMS data analyzed. However, SICP (Ship's Inventory Control Point) personnel estimate computerized inventory management systems on cutters offer potential savings by doing

away with the expense of conducting regular shipboard inventories and maintaining Combined Allowance for Logistics and Maintenance Support (CALMS) books. Indirect savings are expected from the value of time saved doing jobs previously done by manual systems. Savings are estimated to be as much as 5 work years for the larger vessels, allowing personnel who previously spent much time updating inventory cards and doing other manual record-keeping chores to be reassigned to operational and maintenance tasks. There have not been any separate OST, GSA, or TSARC reviews for vessel systems, as the Standard Terminal contract is a requirements contract. The Standard Terminal contract itself received full Departmental review when DOT applied to GSA for Delegation of Procurement Authority. The Assistant Secretary for Administration acted as Source Selection Authority.

PETALUMA TRAINING CENTER

SENATOR ANDREWS: The operating expense budget (page 35) requests increases of $688,000 for Petaluma. Is this project complete with these investments? Is there no further AC&I contemplated for the center?

ANSWER: The Student Officers' Quarters and Chief Petty Officers' Quarters for which the $688,000 is requested as follow-on will be complete with this investment. Additional AC&I development under consideration for Petaluma includes classroon space, medical space, housing and recreational facilities.

SENATOR ANDREWS: What is the total cost estimate on the Petaluma Training Center?

ANSWER: The present AC&I cost estimate for Petaluma is $56.3 million over the next five years.

SENATOR ANDREWS: Last year you informed the House that Yorktown Reserve Training Center would receive 3 training schools from Governors Island, and Petaluma would receive primarily the Electronics School. Compare the cost to build the Petaluma Center for the school versus moving this training to Yorktown.

ANSWER: The cost to locate the Electronics Schools Branch (ESB) at Yorktown would be significantly greater than locating this facility in Petaluma. After the relocation of three additional schools from Governors Island to Yorktown (Electrician's Mate, Damage Controlman, Gunner's Mate), Yorktown will not be physically large enough to accommodate the ESB and the facilities required for support. To locate the ESB in Yorktown would require the purchase of additional property, driving the cost to inordinate levels. There is adequate space at Petaluma without purchasing additional property.

SUPPORT CENTER NEW YORK

SENATOR ANDREWS: Has the replacement for the ferryboat TIDES been delivered? If not, when is this scheduled? What analysis was conducted on rehabilitating the COURSEN and MINUE when the decision was made to replace the TIDES? When will they need to be replaced?

ANSWER: The TIDES replacement vessel (The GOVERNOR) is due for delivery to Support Center NY on 7 Jan 1985. The adequacy of the entire 3 ferryboat fleet at NY has been

reviewed at several points. The decision was made to replace the TIDES because replacement was considered more economical than renovation for that vessel. At that time, and several times since then, the COURSEN and MINUE (which are 9 years younger than the TIDES) have been determined to be capable of economical renovations. They should not need to be replaced for 25 years.

SENATOR ANDREWS: What is anticipated in the future costs of $32.6 million?

ANSWER: The following projects have been identified in our Capital Investment Planning process thru FY-1989.

	Cost ($thousand)
378' WHEC Moorings	1,200
Central Fire Alarm	900
Rehab Castle Williams	8,400
Rehab Water System, Phase I	4,100
Rehab Water System, Phase II	4,300
Shopping Center	2,400
Field House	11,800
	33,100*

* Original estimates totaled $32.6 million; current revised estimates total $33.1 million shown.

MINOR CONSTRUCTION PROJECTS

SENATOR ANDREWS: What explains the 79% increase over FY-1983 (page 88) for Minor AC&I Shore Construction? How much has been obligated in this category as of March 30, 1984? What major projects are currently underway and at what cost?

ANSWER: Two major factors explain the 79% increase over FY-1983 for Minor AC&I Shore Construction:

1) The maximum funding limit per project was raised from $375 thousand to $500 thousand. This made more projects eligible for the program.

2) The overall number of projects competing for Minor AC&I funding has also increased in the past few years. The emphasis on less costly solutions to many of the Coast Guard's Shore Facility problems has increased the demand for funding in this category.

All of the $17.85 million provided in FY-1980 through FY-1983 for Minor AC&I (General) Shore Construction has been obligated. Of the $6.16 million appropriated in FY-1984 approximately $1.3 million has been obligated, as of 30 Mar 84. The following FY-1984 projects are under construction:

UNIT	PROJECT DESCRIPTION	COST ESTIMATE ($000)
STA DULUTH	MODIFY BOATHOUSE	428
AIR STA SAN DIEGO	HU25A MODIFICATIONS	459
AIR STA SACRAMENTO	BUILDING 1102 ADDITION	407
TOTAL		$1,294

The following Minor AC&I Shore Construction projects are currently under design, and construction contracts are expected to be awarded in FY-1984 or early FY-1985:

UNIT	PROJECT DESCRIPTION	COST ESTIMATE ($000)
BASE WOODS HOLE	BOAT HAULOUT FACILITY	310
STA CASTLE HILL	REHAB STATION	363
ANT NEW HAVEN	CONST ANT SUPPORT FAC	328
GROUP CAPE MAY	GRP SUPPORT FACILITY	380
STA EATONS NECK	OVER-THE-WATER BOATHOUSE	136
STA MONTAUK	SHOP BLDG EXPANSION	285
STA ROCKAWAY	OVER-THE-WATER BOATHOUSE	136
HOUSING RICHMOND HTS	COMMUNITY REC CENTER	361
BASE NEW ORLEANS	CONSTRUCT CARPENTER SHOP	370
STA GRAND ISLE	SHORE PROJECTION	273
BASE MILWAUKEE	EXPAND ADMIN/INDUSTRIAL	461
STA FAIRPORT	STA RENOVATION	333
STA HARBOR BEACH	RELOCATE/REPLACE STATION	456
BASE SAN FRANCISCO	SLOPE STABILIZATION	354
STA QUILLAYUTE RIVER	COVERED BOAT MOORING	328
DISTRICT OFFICE	UNINTERRUPTABLE POWERSYST	168
SUPRTCEN KODIAK	OILY/WATER SEPARATOR	250
ACADEMY	CHASE HALL SOLAR DHW	150
ACADEMY	REHAB YEATON HALL	292
RESTRACEN YORKTOWN	BOAT MAINTENANCE SHOPS	287
RESTRACEN YORKTOWN	OUTBOARD/CAT SCHOOL	491
TRACEN CAPE MAY	REPLACE LAUNDRY BLDG	301
YARD	STEAM LOOP	365
TOTAL		$7,178

AUTOMATED ACCOUNTING SYSTEM

SENATOR ANDREWS: What funds supported the FY 1984 accounting system design effort? Is this on schedule? Has it been approved by OST and GSA.

ANSWER: The Coast Guard Operating Expenses (OE) appropriation supports the FY 1984 accounting system design effort. The milestone for completing the contract process continues to be in FY 1985. The design process and deliverables to date have been approved by OST. Approval for system design by GSA is not required.

SENATOR ANDREWS: Where will the 15 modules be placed?

ANSWER: The system design was defined using 15 modules to represent the 15 functional activities that comprise the accounting system. The modules will be at each accounting office.

SENATOR ANDREWS: Will the Coast Guard eliminate the existing 7 accounting systems in 17 offices? If not, what integration plans have been made?

ANSWER: Yes, there will be a single general accounting system operating throughout the Coast Guard.

SENATOR ANDREWS: What is the relationship between this request and the $900 thousand request for terminals? And the $1,850,000 request for vessel terminals?

ANSWER: At this point it has not been determined what hardware architecture will be used for the Standard Automated Accounting System. The development contractor is currently studying the logical model provided by the Coast Guard in order to determine what machine interface will meet our requirements, and

will be presenting different alternatives in mid-May. Terminals of some kind will undoubtedly be required. The Standard Terminal may be able to be used in this capacity. It has the capability of becoming an integral part of the accounting system as a communications link with the main system. It could be used as an input device for Coast Guard Groups in the field to feed accounting information to District accounting offices and it could be used as an output device for users to make inquiries and get print-outs. One of the prime reasons for selecting the CG Standard Terminal for vessels in lieu of another type of computer was to be able to run standard programs and share data with other Coast Guard ADP systems. If the Automated Accounting System will run on Standard Terminals, shipboard systems will be able to participate. The terminals requested in the budget, however, are required for Coast Guard units' word and data processing needs regardless of the decision on the Accounting System.

KODIAK

SENATOR ANDREWS: Why does the justification state that a population of 3,000 individuals is served by Support Center Kodiak when the Coast Guard personnel strength is 457 (p. 94)?

ANSWER: The 457 personnel on the budget page refers to the Support Center only. The Support Center is the host command for an Air Station, several vessels and other smaller land based tenants. There are almost 1200 active duty personnel assigned to these Kodiak units. The remainder of the 3000 individuals served are dependents, Coast Guard civilians, and other federal employees that work on Kodiak.

SENATOR ANDREWS: What is the status of FY-1984 obligations for the Kodiak Support Center?

ANSWER: No construction funds for Kodiak Support Center provided by the FY-1984 Defense Appropriations Act have been obligated to date.

SENATOR ANDREWS: What is included in the future investment cost of $69.7 million?

ANSWER:

Planned Kodiak Projects for the next four years:

	COST ($thousand)
Health Care Facility	$13,800
Fuel Farm Containment System	2,800
Community Center	1,100
Recreation Center, Phase I	10,500
Solid Waste Management System	3,300
Fire Station Replacement	4,600
Bachelor Office Quarters/Guesthouse Replacement	5,300
Supply Center Construction	9,400
Renew Roads and Grounds	5,100
Replace Loran Monitor Station	4,000
Recreation Center Phase II	9,800
Total	$69,700

SENATOR ANDREWS: The Kodiak Center investments will total $115 millions. Has an overall plan of investment been conducted to ensure these funds are effectively used?

ANSWER: Yes. The 1978 Coast Guard Support Center Kodiak Development plan was prepared by the Architect/Engineering firm of Kramer, Chin & Mayo. This 10-year plan took an objective view of the support facility, including the existing capital plant and staffing levels; considered anticipated changes, operations and support; and provided a plan for the efficient and orderly development of the unit. It has been kept current with several amendments and revisions. Within the next two years a new plan will be undertaken to reassess and consider the needs for the next 10 years.

PORTSMOUTH SUPPORT CENTER HOUSING

SENATOR ANDREWS: Why does the justification (page 102) describe improved facilities for "270 personnel", when fewer than that will be transient personnel associated with the arrival of new cutters?

ANSWER: The number 270 refers to the cutter class length,--270-foot cutters--, not the number of personnel associated with the cutters.

SENATOR ANDREWS: How many personnel are currently housed at Portsmouth? How many yearly transient personnel must be accommodated for COMDAC training and other 270-foot cutter activities? For how many years will this need exist (compare to cutter delivery schedule)?

ANSWER: One hundred unaccompanied personnel are currently housed at Portsmouth unaccompanied personnel housing. An average of 38 additional transient personnel per day must be housed due to COMDAC training and other 270-foot cutter activities. There is a continuing need to house transient shipboard personnel who do not deploy with the ship due to training, medical problems and various other reasons. Personnel assigned to Portsmouth solely to deliver the new cutters were not included.

SENATOR ANDREWS: Does not the Portsmouth Center currently have recreational space and galley/mess facilities? If so, what improvements are necessary?

ANSWER: Support Center Portsmouth does have recreational space and galley/mess facilities sized for the current on-board personnel. However, the new Unaccompanied Personnel Housing/Galley facility will provide for approximately 270 additional personnel to the Support Center caused by the arrival of 4 WMEC 270-foot cutters, maintenance support teams and support schools. The recreational space portion of the Unaccompanied Personnel Housing (UPH) facility consists of reading rooms, TV rooms, and recreation rooms for both officers and enlisted personnel. These common use areas, found in all UPH facilities, allow the UPH occupants to have privacy and quiet in their own rooms. This is particularly important in a UPH facility which will house both students and permanent party personnel.

RETIRED PAY

SENATOR ANDREWS: The budget request of $334.8 million is predicted on an average retirement of 495, up from 362 in FY 1984. What have been the actual rates for the past three years, and what is the latest estimate for both FY 1984 and 1985?

ANSWER: The actual retirements rather than average retirements for FY 1981 is 1,238, FY 1982 is 954 and FY 1983 is 860. The latest estimates for FY 1984 and FY 1985 are 867 and 860 respectively. Since these retirements occure throughout the year, the number for budgeting purposes is estimated to be 362 for FY 1984 and 495 for FY 1985.

SENATOR ANDREWS: What level of inflation for medical care is assumed for FY 1984 and 1985?

ANSWER: For medical care, a 14.5 percent level of inflation was assumed in FY 1984, and a 17.5 percent level was assumed for FY 1985.

SENATOR ANDREWS: Assuming the transfer out of the Retired Pay account for supplemental needs, is there no unobligated balance currently assumed for FY 1984?

ANSWER: Based upon current estimates, only a nominal unobligated balance is projected at the end of FY 1984.

SENATOR ANDREWS: The President recently signed the 1983 Omnibus Reconciliation Act which delays until January 1985 the next COLA for military retirees. Do the budget estimates for FY 1984 and 1985 assume this legislation?

ANSWER: Yes, the estimates were based upon the COLA delay.

RESERVE TRAINING

SENATOR ANDREWS: Has legislation been proposed, as indicated in the budget, for $46.9 million of the Reserve Training request? What is the relationship between this amount and the funding request of $58.8 million?

ANSWER: The Fiscal Year 1985 Defense Authorization, proposing a Coast Guard Selected Reserve minimum annual average strength of 12,500, has been submitted to the Armed Services committees of the Congress. The $46.9 million comprises the military compensation and benefits portion of the $58.8 million.

ADVISORY COMMITTEES

SENATOR ANDREWS: The justification (page 15) cites as an accomplishment of the National Boating Safety Advisory Council the reduction in recreational boating fatalities from 22 per 100,000 in 1971 to 7.9 per 100,000 in 1982. This is an impressive claim. How, specifically, did the 21-member Committee achieve this? If such accomplishments are possible, why has the Committee reduced its number of meetings since FY 1982?

ANSWER: The justification cites the fact that the National Boating Safety Advisory Council contributed to the reduction in the fatality rate. It is one of the entities that is dedicated to improving the boating safety record through the coordinated National Recreational Boating Safety Program established by the Federal Boat Safety Act of 1971. The Council has played a

valuable consulting role in major boating safety matters. It is called upon to review and make recommendations concerning the need to proceed with development of boat construction and operator requirement standards and regulations, and to provide other boating safety recommendations. Being a broad-based group assures that matters are looked at from the standpoint of the major boating interests - State, industry and public. This Council's review helped assure that the most reasonable and acceptable course of action was taken in each case.

The number of Council meetings was reduced because many of the safety problems that the Federal Boat Safety Act gave the Coast Guard authority to act on were systematically taken up by the Council following passage. Major standards have been promulgated. Two meetings a year is currently sufficient to address new safety issues and review past actions as necessary.

SENATOR ANDREWS: What is the relationship between Coast Guard research efforts and research conducted by the Ship Structure Committee, which is established to conduct research on ship structures? Who ensures that there is no redundancy, and that the two efforts are integrated?

ANSWER: The Ship Structure Committee (SSC) engages in ship structure research for the benefit of all participating agencies (Coast Guard, Naval Sea Systems Command, Maritime Administration, American Bureau of Shipping, Military Sealift Command and Minerals Management Service). The Coast Guard Office of Merchant Marine Safety chairs the SSC. Each member agency contributes resources and has a voice in the actions taken by the committee.

The SSC research is more general in its applications while Coast Guard R&D addresses specific Coast Guard needs. The Offices of Merchant Marine Safety and Research and Development, in planning Coast Guard research, ensure such efforts are not being duplicated by the SSC.

MAINTENANCE

SENATOR ANDREWS: What percentage of the FY-1985 budget is dedicated to maintenance?

ANSWER: Within our ability to categorize financial data, 23% of the FY-1985 Operating Expense Appropriation request is in maintenance accounts.

SENATOR ANDREWS. What are your aircraft and vessel availability figures for the last three years? Can you demonstrate that availability has improved with increased maintenance?

ANSWER: Average availability for operations figures for aircraft and cutters are summarized in the table below. Given a steady tempo of operations, additional maintenance time, as well as funds and personnel, will result in greater availability. Actual availability is affected by the pace of operations and the balance between routine and unscheduled casualty maintenance. However, aircraft and cutters were utilized 93 and 87 per cent of planned/programmed levels in FY1983.

AVERAGE AIRCRAFT/CUTTER AVAILABILITY FOR OPERATIONS

Aircraft:	(PERCENT)	FY81	FY82	FY83
FIXED WING		60.5	68.3	75.0
HELICOPTERS		70.0	64.0	70.5

Cutters:			
HIGH ENDURANCE	44.5	42.0	44.0
MEDIUM ENDURANCE	39.0	43.5	45.5
PATROL BOATS	69.5	68.0	69.0

(Note: Availability for Operations includes operating time plus time in a readiness/standby status.)

SENATOR ANDREWS: Have you completed your assessment of shore facility maintenance requirements? What shore replacement needs are expected over the next five years?

ANSWER: In June 1982 the Coast Guard promulgated a comprehensive system for assessing its shore facilities. This FAST (Facility Adequacy Scoring Technique) system has been used throughout the Coast Guard for the past two years. At this time nearly 90% of all shore facilities have been assessed. The assessments identify both maintenance and shore replacement needs. The Coast Guard Capital Investment Projections indicate the overall shore plant construction requirements over the next five years to be about $690 million (this figure does not include equipment or administrative costs). About 60% of these requirements are for replacement facilities.

MARINE PROTECTION

SENATOR ANDREWS: The Coast Guard has extensive Environmental Protection responsibility. Does the Coast Guard have adequate equipment for detecting pollution?

ANSWER: The Coast Guard has primarily relied on visual observations for detection of oil pollution in water. These observations are generally limited to daylight and fair weather conditions. This circumstance applies to initial reports of spills as well as monitoring the extent of a spill once it is discovered. Initial reports come from many sources such as the spiller, the general public, the maritime industry, and Coast Guard aircraft and vessels. To improve our detection capability, as well as providing an effective deterrent to potential spillers, the Coast Guard anticipates the implementation of the prototype AIREYE system in July 1984, with five production models placed in the field by May 1986. The oil detection portion of the system consists of two (2) sensors, a side-looking airborne radar and an infrared/ultraviolet linescanner. These will allow for detection and monitoring of oil pollution in all weather and light conditions for both enforcement and response activities in open water.

Oil in ice remains as an area that presents detection problems. However, there are methods which show promise for detection of oil in ice-infested conditions. Current Research and Development efforts are focusing on detection of oil under ice using electromagnetic and acoustic methods or unmanned submersibles. The possibility of using satellite-tracked buoys to tag and monitor the movement of oil spills in ice is also being investigated.

SENATOR ANDREWS: What is the difference in capabilities of the Aerial Surveillance System (AIREYE) and Active-Gated Television (AGTV) for oil pollution detection? Are the two interchangeable, or will they be, once AGTV is operational?

ANSWER: AGTV is planned as an integral part of AIREYE. The AGTV is a low light level camera with a pulsed laser illuminator.

It provides the night vision capability for the AIREYE system. It will be used to identify and record the activities of suspect vessels detected by the long range AIREYE sensors. In addition to the AGTV, AIREYE includes: a Side Looking Airborne Radar (SLAR), a long range sensor able to detect large ships out to 80 miles on each side of aircraft and small boats and oil slicks out to 25 miles; Infrared/Ultraviolet Line Scanner, a short range, high resolution sensor which detects oil slicks and targets under aircraft; and a KS-878 Camera, a high resolution reconnaissance film camera with computerized display and control console.

SENATOR ANDREWS: What has the Coast Guard estimated is the loss to the Treasury through polluters escaping penalties? Can you demonstrate improvement in the Coast Guard's enforcement record?
ANSWER: Evaluating the Coast Guard's enforcement record for violations of the FWPCA involves relating the number of spills reported; the number investigated (no penalty can be assessed in the absence of an investigation); and the number of incidents where either no oil is found or the responsible party is never identified.

	1978	1979	1980	1981	1982
Total Oil Spills	10,317	9,263	7,736	7,717	11,301
No. Investigated	9,340	8,129	6,969	7,426	9,239
No. Investigated, Penalty Assessed	4,944	4,891	4,432	4,809	4,998
Penalties Assessed (thousands)	$1,383	$1,385	$1,254	$1,361	$1,224
No Oil Found, or Source Unknown	4,396	3,238	2,517	2,617	4,241

During the above period, the Coast Guard's level of effort has remained relatively constant. In addition, penalties assessed have not varied significantly over this period. However, there are still a significant number of cases where no penalty can be assessed. Since some responsible parties will never be identified, and due to numerous variables inherent in the assessment of penalties (size of spill, location, environmental damage, etc.)sound methodology is not available to accurately estimate what penalties would have been assessed in these cases. However, using each year's average penalty assessed and applying it to the cases where no oil was found or the source was unknown provides some indication of potential penalties that are not collected.

	1978	1979	1980	1981	1982
Potential Penalties (thousands)	$1,226	$916	$713	$741	$1,039

AMMONIA SPILL STUDY

SENATOR ANDREWS: Findings from the Ammonia Spill Study are due in mid-fiscal year 1984. When do you plan to submit your report? What conclusions have been reached?

ANSWER: Although tests were completed as directed, the vast amount of test data has not been reduced and analyzed. The FY 1983 directions to the Coast Guard were to expend $300,000 and complete the study by October 1984. To date the Coast Guard has expended $449,000 with cosponsoring funds from The Fertilizer Institute (TFI) of $179,000 for a total of $628,000. The original planned cost for the study was $587,000, but now appears to be $968,000 if Lawrence Livermore National Laboratory (LLNL) is used to complete the study.

At this point neither the Coast Guard nor TFI desire to proceed further with the detailed data analysis, particularly at the additional $340,000 cost level proposed by LLNL. Although LLNL presented a briefing on available results and conclusions, no formal final report is planned. Alternative methods for less costly data analysis are being investigated, however.

The experimental testing was finished in September 1983, at the Nevada Test Site. Four spills were conducted ranging in size from 15 to 60 cubic meters. A cursory analysis of the data collected indicated that the downwind ammonia concentrations were higher than predicted for the largest spill, while the other three spills produced concentrations lower than predicted.

PUBLIC HEALTH SERVICE

SENATOR ANDREWS: How many Public Health Service (PHS) officers are currently assigned to the Coast Guard?

ANSWER: There are currently 151 Public Health Service officers assigned to the Coast Guard.

SENATOR ANDREWS: Are their salaries paid for by the Coast Guard? Last year you budgeted $2.23 million for reimbursement to PHS of associated costs (retirement, etc.). This averages about $15,000 per PHS officer. Provide a detailed breakdown of benefits provided, and a comparison of these benefits to government averages. Do the other services reimburse the PHS in this manner? How much reimbursement is scheduled for FY 1985?

ANSWER: The salaries (pay and allowances) of PHS officers on active duty with the Coast Guard are paid by the Coast Guard on a reimbursable basis. The FY 1984 budget line item was for life cycle retirement costs, health care, and other benefits (government portions of FICA and SGLI) but not for salaries. These were apportioned at 75% for retirement, 21% for health care, and 4% for benefits. The only reimbursement, other than pay and allowances, for FY 1984 will be approximately $420,000 for FICA. This is because legislation enabling PHS to collect these funds was not enacted in FY 1984. Uniformed PHS officers have the same retirement program, health care, and other benefits as all uniformed servicemen. It is not known how other services reimburse PHS. No reimbursement is scheduled for FY 1985 pending enactment of legislation.

FLIGHT SIMULATORS

SENATOR ANDREWS: Have you taken delivery of your two flight simulators? What impact has there been on your flight time estimates for training?

ANSWER: Neither the HU-25A nor the HH-65A flight simulator has been delivered. Current expectations are that the HU-25A simulator will be delivered in November 1984 and the HH-65A simulator will be delivered in December 1984. Because we have not yet received the simulators, they have not affected our training flight time estimates.

SHIP TRAINING SIMULATORS

SENATOR ANDREWS: How many Ship Training Simulators are in use now by the Coast Guard? How are they used?

ANSWER: The Coast Guard presently has no ship training simulators of its own. A simulator is being procured for the Coast Guard Academy in New London. This simulator should be in operation by late 1986 for teaching cadets basic shiphandling, rules of the nautical road and radar navigation.

RESEARCH AND DEVELOPMENT CENTER

SENATOR ANDREWS: What may be the impact on the Groton, Connecticut Research & Development (R&D) Center with the defederalization of the Transportation Systems Center in Cambridge?

ANSWER: This depends entirely on the form of defederalization. The principal options now under consideration would not materially change the workload at the Transportation Systems Center and there would be no impact on the R&D Center.

NAVGARD BOARD RECOMMENDATIONS

SENATOR ANDREWS: What, if any, current projects emanating from the NAVGARD Board are being implemented in FY 1984, or requested in FY 1985? What is the current status of the Maritime Defense Zone Commander concept? How will military planning be enhanced by such an effort?

ANSWER: The 1981 NAVGARD Board initiative to designate Coast Guard Area Commanders as Maritime Defense Zone Commanders is being implemented this year. The NAVGARD is continuing to review wartime tasking for the polar capable icebreakers, main battery replacement for the medium endurance cutters and the status of the 378 foot high endurance cutter Fleet Rehabilitation and Modernization.

The necessary implementing directives are in place for the Maritime Defense Zone and planning and implementation staff billets will be filled this summer. Military planning will be enhanced through improved Navy and Coast Guard communications and coordination. The concept will ensure our planners consider all capabilities -- The Coast Guard as well as available Navy assets in planning for coastal defense. The Coast Guard's existing command and control system and coastal patrol and surveillance platforms will be important parts of the coastal defense system and under this joint naval command, their capabilities will be fully understood by the military planners.

SENATOR ANDREWS: Has agreement been reached between Navy and Coast Guard for specific wartime missions?

ANSWER: Yes. The NAVGARD Board approval of the Coast Guard Wartime Tasking Study published in 1981 constitutes Navy and Coast Guard agreement on wartime tasking for the Coast Guard. This study concluded that the Coast Guard must continue its statutory and regulatory missions that are vital to deploying force mobility and to the national economy and industrial strength and that it has platforms and systems had capabilities which could be employed in naval and defense operations for which the CG had not been tasked.

Specific mission areas assigned to the Coast Guard include ocean escort for the protection of military and merchant shipping, coastal zone surveillance and interdiction, logistics support, establishment and maintenance of aids to navigation and command and control of home waters coastal defense under the Maritime Defense Zone.

HAITIAN MIGRANT OPERATIONS

SENATOR ANDREWS: Last year the Commandant cited major reductions in calendar year 1982 on Haitian arrivals. What were the 1983 figures? Assuming the trend has continued down, is it still necessary for such ongoing surveillance?

ANSWER: During calendar year 1983 cutters involved in the Haitian Migrant Interdiction Operation (HMIO) seized 28 vessels carrying 717 illegal migrants attempting to enter the United States. This compares with 6 vessels and 152 migrants interdicted in 1982. This past year has seen a significant evolution in HMIO - no longer are we dealing with just small sailboats or tramp freighters departing from the North Coast of Haiti. Our cutters now are seeing more and more vessels departing from the western Bahamas and attempting to dash across the Straits of Florida under cover of darkness. These vessels also are carrying a broad range of nationalities - not just Haitians. During the past year, 15 of the 28 vessels and 446 of the 717 migrants fit this new pattern. Nationalities interdicted this year included: Haitian, Peruvian, Iranian, Ugandan, Dominican, Jamaican, Bangladesh, Indian, Colombian, and Cuban. Many of the non-Caribbean Basin nationalities could not be returned directly to their country of origin, and are now awaiting deportation hearings. Because of this increasing activity and expanded scope, HMIO is more important than ever as both an effective law enforcement program and as a deterrent. As Congress mandated last year, the program has been expanded to include the Straits of Florida area. The Coast Guard believes it is still necessary for the ongoing rate of surveillance to be continued.

PASS POINT COVERAGE

SENATOR ANDREWS: Please update for the record the coverage of Caribbean points shown on pages 478 and 479 of last year's House hearing. Will these percentages be increased during FY 1985?

ANSWER: The figures quantifying percentages of cutter coverage in the Yucatan Channel and the Windward Passage for 1983 remained substantially the same in 1984 (1 cutter 96% of the time in the Yucatan Channel and 1 cutter 97% of the time in the Windward Passage). The percentage of coverage in the Mona and Anegada Passages dropped to about 15% of the time. These figures reflect a conscious refocusing of cutter effort in the Caribbean area. Overall in FY 1984 cutter and aircraft operating hours in the

Caribbean increased. We anticipate that the level of cutter effort in the Caribbean in FY 1985 will roughly equal the effort expended in FY 1984. The percent of time the various choke points may vary, dependent on the changing tactical situation.

SOLAR ENERGY AT COAST GUARD FACILITIES

SENATOR ANDREWS: To what extent has the Coast Guard converted to solar energy at its support facilities?

ANSWER: The major use of solar energy at Coast Guard shore facilities has been for domestic water heating systems for family housing and for Unaccompanied Personnel Housing facilities, predominantly in the southern and western portions of the country. The use of solar energy for building heating has been limited to the use of passive building design, rather than active solar systems, due to economic considerations.

SENATOR ANDREWS: What energy savings has resulted?

ANSWER: Since FY 80, for 30 projects utilizing solar energy, we estimate a savings of approximately 13×10^9 BTU's per year. Direct dollar savings associated with these BTU savings are difficult to compute, since several fuel types are involved in different areas of the country.

OSHA STANDARDS

SENATOR ANDREWS: The Elizabeth City stripping and painting hangars were recently brought up to OSHA standards. How many Coast Guard facilities are below standard? Outline costs and locations where such improvements are necessary. When will compliance efforts be completed?

ANSWER: There are at least 745 facilities in the Coast Guard with documented safety and health problems. Most are not as extensive as the Elizabeth City facility. The following amounts have been included in the Budget:

OE	(FY84)	9 Projects	$ 539,000
	(FY84+)	20 Projects	743,000
AC&I	(FY84)	Base Galveston	6,964,000
		Base Charleston	3,802,000
		Base Milwaukee	150,000
	(FY85)	CG Yard	1,766,000

REORGANIZATIONS

SENATOR ANDREWS: What major reorganizations are being considered for the Coast Guard? Have you a plan to establish a "readiness" component; if so, what funding, mission and personnel changes would be necessary?

ANSWER: The Coast Guard has initiated action to establish the Office of Readiness and Reserve. The reorganization proposal essentially merges the current functions of the Office of Reserve with an expansion of the existing functions of the Military Readiness Division of the Office of Operations. This change would provide an entity within the organization tasked with providing oversight on all matters pertaining to readiness. The readiness component

within the new office would be responsible for providing feedback to program directors on perceived shortcomings; overseeing contingency planning; establishing goals for exercising Coast Guard units; evaluating trends and performance; and overseeing remedial action programs to correct shortcomings. Additionally, the unit inspection program conducted by the District Commanders would be monitored. The reorganization envisioned would add no additional resources to the Coast Guard. The new office would be staffed by relocating existing billets, positions and people.

GRENADA/KAL INCIDENT

SENATOR ANDREWS: Outline the past, current and future participation by the Coast Guard in Grenada. What level of funding has been necessary for these activities, and does DOD reimburse the Coast Guard?

ANSWER: At the request of DOD the Coast Guard deployed three patrol boats, an ocean going buoy tender and a two man command element to Grenada on 8 December 1983. The mission of this force was to relieve U.S. Navy craft on patrol in Grenadian waters, carry out coastal patrol surveillance and interdiction operations to prevent clandestine waterborne arrival or departure from the islands, maintain a visible and credible U.S. military presence in the waters around Grenada, engage in civil actions to gain the good will and trust of the Grenadian population and to train and assist with the development of a Grenadian Coast Guard.

One patrol boat was redeployed on 3 February, the ocean-going tender redeployed on 1 March and the two patrol boat presence has been maintained since that time. We anticipate a reduction of Coast Guard afloat presence to one vessel in July. Termination of U.S. Coast Guard operations depends on the political and military developments of the next several months and is not determined at this time.

The following is an estimate of costs for U.S. Coast Guard operations in Grenada:

	OPERATING COSTS	INCREMENTAL COSTS*
CUTTERS (Fuel/Direct Main.)	430,000	120,000
AIRCRAFT (Fuel/Direct Main.)	300,000	180,000
TRAVEL/PER DIEM	60,000	60,000
SPECIAL EQUIPMENT	90,000	90,000
	$880,000	$450,000

*Incremental Costs: Expenses over and above Coast Guard programed costs.

There has been no reimbursement to the Coast Guard for these costs.

SENATOR ANDREWS: Provide a summary of Coast Guard activities in the wake of last year's downing of Korean Airlines Flight 007.

ANSWER: On 1 September 1983, Korean Air Lines Flight 007, a Boeing 747 with 269 aboard, was shot down by Soviet Air Defence fighters. The U. S. Navy commenced SAR operations. CGC MUNRO (a 378 ft. high endurance cutter) in Tokyo at the time, was directed

to proceed to the northern Sea of Japan to work with a joint US/JAPAN Task Force.

Because of the ship's capabilities and SAR expertise, CGC MUNRO was assigned to a search area which was closest to the Soviet territory (14 NM offshore) while the U. S. Navy vessels were assigned to operate to seaward. CGC MUNRO was fitted with specialized search gear, including side scan sonar and a towed pinger locator for the underwater search phase. Due to water depth, a deep sea winch was installed aboard MUNRO.

Since the charts available for the area did not allow enough accuracy due to their scale, the MUNRO developed plotting sheets for all U.S. units involved in the search.

During the 62 days on station, two additional SAR cases were also handled. The chief engineer aboard one of the Japanese salvage vessels suffered a compound leg fracture. MUNRO sent EMT trained personnel aboard to stabilize the patient. Also, a USN LAMPS helicopter ditched due to tail rotor failure 27 miles north of the task force. MUNRO was directed to proceed, and being the first to arrive on scene, MUNRO located the four crewmen who were suffering from mild hypothermia. After being stabilized for 24 hours, they were transferred to a Navy vessel.

NATIONAL RESPONSE CENTER

SENATOR ANDREWS: The Department of Transportation operates the National Response Center, on a 24-hour basis, to assist when hazardous materials incidents occur. How many times last year was the center involved in hazardous materials assistance? How much does the Department pay for its data link to the CHEMTREC service? How often last year was it necessary to tap this chemical data base in response to hazardous materials incidents? How many and what professional classification staff are assigned to the National Response Center?

ANSWER: During 1983, the National Response Center (NRC) received 10,782 reports of oil and chemical spills. Of those, 3,540 were transportation-related. The NRC further assisted the Federal on-scene coordinators by providing information from various computer systems and data bases. There were sixty-one incidents in 1983 that required computer assistance. The exact cost of the data link with CHEMTREC is not known since the cost is included in the total communications cost of the NRC. However, the cost is minimal since it involves only a local phone call. The NRC used CHEMTREC 96 times during 1983. The NRC is staffed by 6 officers and 8 enlisted persons. The officer structure is as follows:

1 LT	Chief, National Response Center
1 LTJG	Senior Duty Officer
4 ENS/LTJG	Duty Officers

Coast Guard officers are not assigned professional classifications. Generally, the officers assigned have scientific or technical backgrounds. All of the enlisted personnel are Marine Science Technicians (MST's) and stand duty as Assistant Duty Officers. There are two E-4's, five E-5's and one E-6 assigned.

SENATOR ANDREWS: Why doesn't FEMA run the National Response Center?

ANSWER: The NRC was created in response to the National

Contingency Plan (40 CFR 300) which was promulgated under the Federal Water Pollution Control Act. Specifically, Section 7 of Executive Order 11735 dated August 3, 1973, designates the Coast Guard as the appropriate agency to receive notification of discharge of oil or hazardous substances.

SENATOR ANDREWS: Does FEMA use the National Response Center on a regular basis?

ANSWER: The NRC notifies FEMA of major pollution incidents that require evacuations. This service amounts to approximately 2 to 3 notifications per month.

SENATOR ANDREWS: What agencies reimburse the Coast Guard for the National Response Center, and in what amounts?

ANSWER: The Environmental Protection Agency (EPA) reimburses the Coast Guard for support of NRC activities. Amounts received for the past three years are:

FY82 $35,500
FY83 $35,500
FY84 $81,000

In addition to EPA, the Research and Special Programs Administration of the Department of Transportation also reimburses the Coast Guard for support of NRC activities. The following amounts have been received:

FY82 $250,000
FY83 $250,000
FY84 $250,000

DELEGATION OF RESPONSIBILITIES TO AMERICAN BUREAU OF SHIPPING

SENATOR ANDREWS: How much new construction of U.S. flag vessels is currently on-going?

ANSWER: There are currently approximately 390 vessels, including small passenger vessels and barges, under construction or conversion in the United States. There are 25 U.S. flag vessels being built overseas.

SENATOR ANDREWS: What percentage of new construction is the American Bureau of Shipping directly involved in for the Coast Guard?

ANSWER: The American Bureau of Shipping is involved in 33% of the domestic new construction and conversion and 84% of the work overseas, pursuant to a Memorandum of Understanding (MOU) with the Coast Guard. Coast Guard inspectors accept the work of the American Bureau of Shipping surveyors in the areas covered by the MOU and thereby avoid duplicative efforts. Coast Guard handles appeals and provides oversight of ABS' efforts. Additionally, Coast Guard inspects vessels for concerns (e.g., structural fire protection, safety equipment, etc.) not included in MOUs.

SENATOR ANDREWS: What benefits has the Coast Guard realized from the American Bureau of Shipping Memoranda of Understanding (MOUs)? How are these benefits determined?

ANSWER: The primary benefit has been a reduction in staff time and dollar savings. The amount has not yet been fully quantified since implementation is in transition, is being expanded, and is being impacted by the effects of the recession on the maritime industry. There has been a quantifiable number of indirect savings in personnel and dollars associated with the American Bureau of

Shipping MOU. In April of 1982, all overseas Marine Inspection Offices were disestablished. A corresponding reduction of nineteen billets/positions and a total annualized savings of $1,367,000 was realized. The closure of these offices was contingent, in part, on the ABS/USCG MOU permitting Coast Guard acceptance of certain items of new construction inspection performed by the American Bureau of Shipping. In additon a reduction of 12 billets/positions and a total annualized savings of $400,000 was realized, in part, on the projected reduction of inspection activity support at the district level due to the ABS/USCG MOUs.

SENATOR ANDREWS: What have been the staff year and dollar savings, in the Commercial Vessel Safety Program, as a result of the MOUs?

ANSWER: There have been savings in both staff years and dollar savings but the amount has not been fully quantified since implementation is in transition, is being expanded, and is being impacted by the residual effects of the recession on the maritime industry.

SENATOR ANDREWS: Concurrent with implementation of the second MOU there was a down turn in new ship construction. What impact did the MOU and reduced construction have on the workload of the Coast Guard's inspectors? What reallocation of inspectors occurred?

ANSWER: Associated reduction in workload has enabled us to address backlogs, stress old vessel inspections, improve personnel training, develop readiness plans, and perform other tasks collateral to marine inspection. We have also been able to redeploy some personnel from marine inspection to other Coast Guard missions, while at the same time developing strategies for additional redistributions should the situation make such action appropriate.

SENATOR ANDREWS: How has the Coast Guard ensured that ABS inspections for the Coast Guard are adequate?

ANSWER: Implementation of the ABS and Coast Guard inspection MOU was accomplished by Navigation and Vessel Inspection Circular (NVIC) No. 10-82. The NVIC states that the Coast Guard will maintain oversight to the degree necessary to insure that ABS inspections are adequate. To accomplish this, marine inspectors have reviewed ABS efforts while on vessels to inspect items retained by the Coast Guard and otherwise as directed by the Officer in Charge, Marine Inspection. An instruction which better standardizes oversight has been prepared and is about to be published.

SENATOR ANDREWS: What oversight procedures for the American Bureau of Shipping involvement has the Coast Guard established?

ANSWER: An instruction has been developed and will soon be published. This instruction will assure an adequate oversight level while taking into account the activities of each inspection zone. The instruction will also prescribe the reporting of oversight activity. Active cooperation between the ABS principal surveyor and the Officer in Charge, Marine Inspection will be encouraged and expected.

Oversight of the ABS has been inherent in the program since Coast Guard inspectors have been aboard vessels in connection with inspections not delegated to the ABS. The above described instruction will formalize and increase the effectiveness of this inherent oversight.

SENATOR ANDREWS: Does the Coast Guard plan to enter into another MOU with the American Bureau of Shipping to have the American Bureau perform additional inspection activities?

ANSWER: We are in the process of establishing acceptance of ABS stability determinations. We are also working on expanding our acceptance of ABS review and inspection for additional areas of new construction (e.g., structural fire protection). We are additionally contemplating eventual involvement of ABS in safety equipment installations. A determination has not yet been made as to whether "new" MOUs will be necessary to accommodate the described expanded acceptance of ABS work product.

EXPERTISE OF COMMERCIAL VESSEL SAFETY

SENATOR ANDREWS: How many commercial vessel safety inspectors are there in the Coast Guard?

ANSWER: There are 820 officers assigned to the Commercial Vessel Safety Program. 628 are currently performing commercial vessel safety functions in the field. Of this number 352 are assigned as marine inspectors and 85 are inspection trainees. 98 are performing investigation duties and 45 are carrying out licensing and certification functions. 48 are assigned as Commanding or Executive Officers overseeing the field operations.

SENATOR ANDREWS: How long does it take to become a qualified commercial vessel safety inspector?

ANSWER: There is no hard and fast rule as to how long it takes to become a qualified commercial vessel safety inspector, although the generalization may be made that the process takes between 18 and 36 months.

The present training program develops commercial vessel safety inspectors through resident courses, post graduate training, industry training, unit training, video tapes, and on-the-job training. Every officer starting a career in commercial vessel safety attends a mandatory 12 week basic indoctrination course at Coast Guard Reserve Training Center in Yorktown, Virginia. Specialized training is additionally available in more than 160 different subject areas. Courses address topics such as: welding and metallurgy, non-destructive testing, investigation of marine casualties and violations, inspection and operation of various shipboard systems, response to oil and hazardous substance discharges, handling of explosives and bulk hazardous materials, offshore drilling equipment and operations, and occupational safety.

In effect, the several parts of our training program combine to provide a career-long updating of an officer's capability.

SENATOR ANDREWS: What percentage of the current commercial vessel safety inspector force are on their first tour in the Commercial Vessel Safety Program?

ANSWER: Twenty-four percent are on their first tour in the Commercial Vessel Safety Program. It is important to note that personnel selected for commercial vessel safety assignments are typically quite experienced in the seagoing profession. Of the 628 currently serving in the program, three percent (16) are officers commissioned directly from the United States Merchant Marine who have gained valuable experience while sailing under the authority of their licenses. Forty-four percent (276) are graduates of the Coast Guard Academy or of United States maritime academies who have

acquired an average of 3.2 years seagoing experience aboard Coast Guard and/or commercial vessels. Forty-nine percent (308) are either warrant officers or are graduates of Officer Candidate School (some have prior enlisted service) and many have comparable amounts of seagoing experience. Sixty-one percent of the officers have at least a 4 year undergraduate degree, with many holding advanced degrees in such areas as naval architecture, engineering, business, and management.

SENATOR ANDREWS: What attempts has the Coast Guard made to convert some of the commercial vessel safety inspector positions from military to civilian?

ANSWER: The Coast Guard has recently converted 42 commercial vessel safety inspection positions from military to civilian. 24 of the converted positions will be placed in selected Regional Examination Centers to administer the personnel licensing and certification program. 7 positions will be assigned to the Coast Guard Institute to prepare and evaluate examinations for the personnel licensing and certification program. 6 positions will be assigned as training coordinators at selected ports. 1 position will be assigned as a marine safety instructor at RTC Yorktown. 4 positions will be assigned to Headquarters at the Assistant Division Chief and Branch Chief levels. This distribution of the converted positions will maximize the desired impact of civilianization on the Commercial Vessel Safety Program (i.e. increased inspector competence and increased quality of mariner licensing program).

SENATOR ANDREWS: What impact would such a conversion have on the Coast Guard's personnel costs?

ANSWER: The conversion will increase personnel costs by approximately $253,000 the first year because of initial training required for the converted positions. Subsequent year annual savings will total $180,000 per year.

DISTRICT HEARING OFFICERS

SENATOR ANDREWS: What formal training do District Hearing Officers receive?

ANSWERS: District Hearing Officers attend an annual 3-5 day training course which covers, among other things, administrative due process procedures and penalty assessment exercises designed to enhance servicewide consistency in the assessment of penalties for similar offenses.

SENATOR ANDREWS: How many of your current hearing officers have legal backgrounds in order to review and adjudicate violations?

ANSWER: One Hearing officer (an assistant legal officer with collateral responsibilities as a Hearing Officer) is a lawyer. Hearing Officer billets are not legal billets within the Coast Guard.

SENATOR ANDREWS: Please provide the committee with the number of, and average penalty of violations in the areas of commercial vessel safety, dangerous cargoes, and navigation safety for fiscal year 1983.

ANSWER: Because the Coast Guard does not collect civil penalty statistics on a servicewide basis, we are unable to provide the "average penalty" statistics requested, but an aggregate of approximately 3200

commercial vessel safety, dangerous cargo, and navigation safety-related civil cases were processed in fiscal year 1983. In addition, approximately 3300 boating safety cases and approximately 5100 marine environmental protection cases were administered in fiscal year 1983. District commanders are delegated the responsibility for enforcing the marine safety statutes to which these penalties relate, but the civil penalty process is not their only means of doing so. Criminal sanctions, denial of authority for a vessel to depart or enter a port, denial of a waterfront facility permit to conduct potentially dangerous activities, and suspension and revocation of a merchant mariner's document or license are examples of alternative actions that are sometimes more appropriate. When civil penalties are resorted to, the district commander retains cognizance through, and including, referral to the local U.S. Attorney for collection.

SENATOR ANDREWS: Is the Coast Guard currently attempting to develop uniform guidance for its hearing officers?

ANSWER: The Coast Guard promulgated guidance for its hearing officers in 1978. This guidance is codified in Title 33, Code of Federal Regulations, Subpart 1.07 and is essentially procedural. It generally states that a hearing officer shall have no involvement in the investigation of cases referred to him, that he shall decide each case on the basis of the evidence presented to him, and that he is solely responsible for his decisions. Further descriptions of case management practices are also provided therein. The Coast Guard is also attempting to evaluate the penalty assessment practices of our hearing officers, but the development of detailed uniform guidance in this area is not currently contemplated.

SENATOR ANDREWS: How does the Coast Guard measure the effectiveness of the civil administrative process?

ANSWER: The Coast Guard measures the effectiveness of the civil penalty administrative process by the "compliance rate", that is, the number of violations detected per vessel inspection or waterfront facility inspection. Violation data is collected by each Coast Guard program (for example, Boating Safety or Port and Environmental Safety). It should be understood that the compliance rate is affected not only by the civil penalty administrative process but enforcement activity as well (for example, vessel inspections and cargo transfer monitoring). When a decline in the compliance rate is detected, both civil penalty and enforcement procedures are examined for possible strengthening.

SENATOR ANDREWS: How effective is the civil administrative process in the Coast Guard?

ANSWER: The Coast Guard places a high value on the public's respect for the credibility of our civil penalty administrative process and we would not have that credibility if the process were not effective. Even though we deal with a highly responsible maritime public, it is inevitable that we would not have the high level of regulatory compliance that we currently enjoy if the Coast Guard civil penalty system were perceived to be incapable of removing economic advantage from a concerted practice of non-compliance.

SENATOR ANDREWS: What is the purpose of penalties? Deterrent to future violations or punishment for a violation?

ANSWER: The Coast Guard uses the civil penalty system as a means of inducing compliance with the law in order to deter further violations. In the case of violations of the Federal Water

Pollution Control Act and the Outer Continental Shelf Lands Act, however, civil penalties are also intended to be a means of replenishing revolving funds used to clean up oil spills.

SENATOR ANDREWS: Are the penalties assessed by hearing officers a significant deterrent to accomplish their purpose?

ANSWER: Some civil penalties have statutory maximums that are far lower, because of dollar devaluation, than they were when they were adopted, and, in some cases, most notably in the recreational boating area, it is understandably difficult to induce U.S. Attorneys to take low penalty cases for collection. It is our experience, nevertheless, that the civil penalties assessed by our hearing officers do bring a significant degree of deterrence and credibility to our law enforcement efforts.

MARINE SAFETY INFORMATION SYSTEM

SENATOR ANDREWS: What is the current status of the Marine Safety Information System?

ANSWER: MSIS is still under development. The first module of MSIS, Port Safety, which replaces the Interim MSIS, will be completely on line by 28 May. This module allows the Coast Guard to continue to comply with the Port and Tanker Safety Act in that it provides field commands with real time vessel boarding and discrepancy histories. An enhancement of this module, scheduled for deployment later this year, will provide an automated record of vessel casualties and pollution incidents. Training for field personnel in the use of this module was completed on 18 April. A phased deployment of this module has been running successfully in the Fifth Coast Guard District since the second week in April. We expect a successful national deployment.

SENATOR ANDREWS: When are the various system components expected to be operational?

ANSWER: The Port Safety module will be deployed nationwide by 28 May, 1984. A phased deployment of this module is currently operating successfully in the Fifth District. Training for field personnel is now underway. We expect a successful national deployment. Concern about the adequacy of MSIS hardware and system capacity will lead to additional delay for the Vessel Documentation and Vessel Inspection modules, perhaps as late as calendar 1985. Other modules, such as Marine Casualties, will be re-examined after the three modules, now under development, are fully deployed and their system performance evaluated.

SENATOR ANDREWS: What caused the delay?

ANSWER: There are a number of causes. Important vendor-supplied components including the minicomputer operating system (Prime), the database management system (Cincom) and the standard terminal (C3) did not perform as advertised. The interactive process of software development, managed by Battelle Columbus Laboratories, has taken much longer than promised.

SENATOR ANDREWS: For vessel inspection, what information will the Marine Safety Information System provide inspectors which they currently do not have?

ANSWER: Inspectors will have immediate access to all information accumulated by the Coast Guard on any particular vessel, by all field offices and Headquarters. This includes

up-to-date, complete, detailed descriptions of vessel characteristics and equipment, inspection, boarding, casualty, violation and pollution histories and ownership information.

SENATOR ANDREWS: How have they been operating without this information? What impact does it have on the safety mission?

ANSWER: The inspector has direct access only to those records accumulated on a particular vessel by his own office, and then only after searching through fragmented paper files. Inquiries must be directed to whatever other offices might have records on that vessel to obtain additional information. Therefore, many inspections and decisions are made without benefit of the often substantial, but effectively inaccessible,information already on file with the Coast Guard. Proper monitoring of the system, including the effectiveness of regulations, has been most difficult.

FERRY VESSEL SAFETY

SENATOR ANDREWS: Because safety regulations are applied to ships based on their size instead of function, some passenger ferries are permitted to meet lower safety standards even though they may carry almost the same number of passengers as a slightly larger ferry. Is the Coast Guard taking any actions to insure that ferry passengers are afforded the higher standards regardless of which ferry they may happen to board on any particular day?

ANSWER: The Coast Guard imposes safety requirements on passenger ferries based upon a number of factors including the class of the vessel, its construction, and the nature of its operation. Since ferries, by definition, operate over short, direct routes the regulations are less restrictive, in some instances, than they would be for a vessel on unrestricted ocean service. However, for vessels of over 100 gross tons, there is no significant difference in the standards for vessel stability, subdivision, and fire protection based on vessel size. In some instances, such as the Washington State ferries, certain navigation equipment requirements may have been waived on a case-by-case basis. These waivers have not been granted without a thorough review, taking into consideration the particular vessel and its route.

SENATOR ANDREWS: The Coast Guard has in the past issued waivers to passenger ferry operators permitting them not to comply with certain safety regulations concerning gyrocompass installations, use of pilot charts, and radar plotting. We understand the Coast Guard is conducting a review of these waivers. What is the status of this review and when will it be completed?

ANSWER: Certain of the navigation safety regulations have been waived on twelve of the twenty-two Washington State Ferries of over 1,600 gross tons. Specifically, the carriage of gyrocompass, depth sounder and Loran-C are waived, along with the requirements for maintaining a navigation plot and relative motion plotting equipment. These exemptions were granted based on the limited scope of these specific ferry operations,i.e,scheduled runs of short duration. These exemptions were reviewed and found to be appropriate. The Coast Guard Marine Safety Office in Seattle, Washington continues to work with the Washington State Ferries to assure the continued safe operation of their vessels.

FIRE SAFETY CONTINGENCY PLAN

SENATOR ANDREWS: In light of the recent passenger ship fire in Port Canaveral, Florida, what are the Coast Guard's current activities to increase port fire safety and to develop port fire contingency plans?

ANSWER: The current revision to the firefighting chapter in the Coast Guard's Marine Safety Manual restates Commandant policy with emphasis on contingency planning and training, includes an outline for a firefighting contingency plan, and details the minimum standards for training and protective clothing for Coast Guard forces involved in firefighting support. The basic policy in the revision is that the Coast Guard has an interest in fighting fires involving vessels or waterfront facilities, but that local authorities are principally responsible for maintaining necessary firefighting capabilities in U.S. ports and harbors. The Coast Guard will assist where properly trained and equipped resources are available.

BARGE BREAKAWAY

SENATOR ANDREWS: The Coast Guard enforces regulations concerning the safe operation of barge fleeting areas located within one particular section of the Lower Mississippi River near New Orleans, Louisiana. There have been a number of barge breakaway accidents from fleeting areas on other parts of the inland waters of the United States. What action is the Coast Guard taking to reduce the risk of barge breakaway accidents in barge fleeting areas on these other parts of our inland waters?

ANSWER: Each District Commander has been requested to assess the extent of the breakaway problem within his respective District boundary. We are also completing a review and evaluation of reported casualties involving barge breakaways in an attempt to determine if there are common causal factors. This will determine whether barge breakaways are a local or nationwide problem. The Coast Guard will share its findings and confer with the U.S. Army Corps of Engineers (whose regulations govern the issuance of permits for barge fleeting areas) to determine the best approach for reducing breakaways from barge fleeting areas in U.S. inland waters.

SINKING OF THE MARINE ELECTRIC

Senator Andrews: What action is the Coast Guard taking to improve boarding of Coast Guard approved liferafts from the water?

Answer: The 1983 Amendments to the International Convention for the Safety of Life at Sea, 1974 will come into force on July 1, 1986. These amendments contain a completely revised Chapter III on "Lifesaving Appliances and Arrangements" which was developed at the International Maritime Organization with the active participation of the Coast Guard, representing the United States. Regulation III/39.4.1 on inflatable liferafts states:

> At least one entrance shall be fitted with a semi-rigid boarding ramp to enable persons to board the liferaft from the sea so arranged as to prevent significant deflation of the liferaft if the ramp is damaged.

We are now completing the planning for a major regulation project that would address this new provision, as well as a number of other important lifesaving system improvements.

SENATOR ANDREWS: Does the Coast Guard have guidelines specifically for the inspection of vessels greater than 20 years of age? If not, why not?

ANSWER: Yes. Since 1 August 1983, inspection records of older vessels (over 4000 gross tons and over 20 years old) have been forwarded to Coast Guard Headquarters for review immediately subsequent to an inspection. In addition, our Headquarters is being notified whenever inspections for certification or drydockings are scheduled by field inspection offices for these older vessels. Approximately 50% of the inspections of these vessels have been audited by experienced traveling inspectors from Headquarters.

In general, vessels over 20 years old are subject to the same types of inspections and rules/standards as newer vessels. Existing policy in the Coast Guard's Marine Safety Manual states that the inspector should have appropriate records of a vessel made available to him prior to the actual inspection. "At an inspection for certification, the inspector shall ascertain that the vessel and its equipment are being maintained in a safe condition, in accordance with applicable laws and regulations, and whether changes have occurred in the vessel which would tend to make its continued operation unsafe." These guidelines are to be used regardless of a vessel's age.

In addition, guidelines in the Marine Safety Manual refer specifically to older vessels. Section 30-6-20B of the manual states: "The determination of the true condition of a vessel and her equipment is sometimes difficult, particularly when the vessel has aged." This section of the manual emphasizes the importance of obtaining the latest inspection findings and records when conducting an inspection for certification. It also provides guidance to the inspector as to how this may be accomplished. The regulations regarding the scope of each inspection for certification are referenced in the Marine Safety Manual.

Improved guidelines are being included in a revision to Volume II of the Merchant Marine Safety Manual by including a section entitled "Inspection of Older Vessels". This change will point out the need for closer review of inspection and casualty histories of older vessels prior to conducting any inspections. In addition, the inspector is reminded that he is not limited by regulations in requiring any tests or hull thickness gaugings needed for determining the condition of the hull. The inspector is urged to utilize the hull gaugings that may have been required by the classification society. For the inspector's convenience, this change to the Manual also includes a summary of United States classification society requirements for hull thickness gauging. This revision to the Marine Safety Manual is due for publication this summer.

SENATOR ANDREWS: Why did the MARINE ELECTRIC not have an effective bilge pumping system for the cargo spaces when carrying coal as required by Coast Guard regulations?

ANSWER: The Coast Guard's Board of Investigation is presently summarizing their findings and preparing to submit their report to the Commandant. As it is not finalized, the Coast Guard is presently not prepared to definitively answer your question.

However, testimony and evidence received by the Board indicates that the vessel's bilge pumping system for the cargo spaces may have been rendered ineffective by unauthorized modifications. Testimony indicates that modifications occurred without the

knowledge or approval of ABS or the Coast Guard. Preliminary information suggests that temporarily installed plates to cover the "rose boxes" (bilge suctions) may have been used on the vessel to prevent coal dust and residue from entering the bilge piping system.

Bilge pumping systems are designed to remove water from a vessel. If the rate of flooding is within the capacity of the system, the flooding will be controlled. However, in a case of major water entrance, the bilge pumping system would not be expected to control the flooding.

SENATOR ANDREWS: What responsibilities do Coast Guard inspectors have for the inspection of items delegated to the American Bureau of Shipping under the load line regulations, such as the weathertightness of hatch covers?

ANSWER: Under the Load Line Regulations (Title 46, Code of Federal Regulations, Parts 42-46), the American Bureau of Shipping has been given the authority to assign load lines to certain vessels. A valid Load Line Certificate issued by the American Bureau of Shipping is normally accepted by the Coast Guard as evidence that the vessel complies with the applicable load line requirements. When a deficiency is discovered by, or brought to the attention of the Coast Guard, the cognizant Officer in Charge, Marine Inspection insures that action necessary for compliance is taken.

The American Bureau of Shipping would typically inspect hatch covers for watertightness prior to the assignment of a load line, before the Load Line Certificate is issued or re-issued, and at the periodic reinspections required by the Load Line Convention. Similarly, Coast Guard marine inspectors aboard for various purposes are alert to non-compliance with regulations regarding watertightness. The Coast Guard provides oversight of ABS' efforts and has a responsibility for vessel compliance with load line regulations. The ABS, owners, and licensed officers assigned to the ship also have responsibility in this area.

MOBILE OFFSHORE DRILLING UNITS

SENATOR ANDREWS: What action has the Coast Guard taken to require proper training for ballast control room operators on mobile offshore drilling units?

ANSWER: The Coast Guard is in the process of revising its licensing requirements in 46 CFR Part 10. The Notice of Proposed Rulemaking published on 8 August 1983 includes a proposal to require the person-in-charge of a mobile offshore drilling unit to be licensed and competent in all aspects of the operations of the unit. The proposal further states that any licensed officer must become familiar with the installed equipment and unique operating characteristics of the unit to which assigned as soon as possible after reporting aboard for duty. The examination topics for masters and mates of mobile offshore drilling units also include questions on ballast control operations. The Coast Guard is planning to publish a separate supplemental notice on this subject with input from that segment of the industry. It is anticipated that the printing of the final rules for all of Part 10 will be accomplished in mid 1985.

Additionally, the Coast Guard is initiating a research project and has docketed two regulatory projects (CGD 81-030, CGD 83-071) that apply directly to the improvement of the design, performance,

and reliability of ballast systems and their controls. Also under consideration is a requirement that mobile offshore drilling unit operating manuals contain emergency procedures for operating ballast control systems.

The Coast Guard feels that this combination of additional licensing requirements for masters and mates, improved material standards for ballast control systems, and more comprehensive operating manuals will provide the desired degree of safety with regards to ballast control systems on mobile offshore drilling units.

RESEARCH & DEVELOPMENT - SOLAR POWER

SENATOR ANDREWS: What is the budget request for solar power devices for short range aids to navigation? What percentage have now been converted from batteries? What savings in operating expenses have resulted from the conversion?

ANSWERS: Funding for conversion to solar power is $2.6 million in FY 1984 and $1.9 million in FY 1985. Due to contracting problems, the project to convert minor aids to navigation to solar power was delayed three months. Actual conversions did not begin until January 1984. To date, approximately 55 of 10,000 aids (1,250 conversions originally planned for FY 1984) have been converted. It is estimated that, to maintain the 10,000 solar powered aids, it will require approximately 30% of the funds used for maintenance of battery powered aids. Savings are accomplished primarily through lower acquisition and disposal costs associated with primany batteries.

STRIKE TEAMS

SENATOR ANDREWS: Outline the missions of the three Strike Teams.

ANSWER: The Coast Guard National Strike Force is a composite of three teams, operating on the Atlantic, Pacific, and Gulf coasts. The primary mission of each team is to provide expertise and rapid response to oil and hazardous substance pollution incidents when requested by Federal On-Scene Coordinators (OSC). The Teams maintain specialized pollution response equipment which can be transported to the scene of an incident by C-130 aircraft or vehicle. They are not required for every incident, and are usually deployed only when the capabilities of local OSC resources are exceeded. In addition to this primary mission, each team is tasked with planning and training for response action; training personnel at Coast Guard field units in response techniques; participation in the testing of pollution hardware; and maintaining a continuous liaison with Federal, State, and local government agencies as well as industry.

SENATOR ANDREWS: Under what statutory authority do Strike Team personnel participate in non-marine incidents?

ANSWER: Participation of the National Strike Force in non-marine incidents is based on the Federal Water Pollution Control Act, as amended (FWPCA), and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). Section 311(c)(2)(C) of the FWPCA authorized the establishment of a strike force consisting of personnel trained, prepared, and available to provide necessary services to carry out the National Oil and Hazardous Substances Pollution Contingency Plan (NCP). In 1982, as authorized by Section 105 of CERCLA, EPA amended the NCP to address

response to the release of hazardous substances, pollutants, and contaminants into the environment. Since CERCLA covers releases of hazardous substances into all environmental media, including non-marine incidents, the Strike Teams may be called on to assist an OSC for any incident, irrespective of geographic location.

SENATOR ANDREWS: To what extent is the Atlantic Strike Team involved in the Winchester, Virginia tire fire? What other agencies have been involved?

ANSWER: The Atlantic Strike Team provided personnel and pollution response equipment from 2 Nov 83 to 13 Jan 84 to assist at the Winchester Tire fire in support of EPA Region 3, the predesignated Federal On-Scene Coordinator (OSC). During this period, a total of twenty seven Strike Team personnel performed the following functions: site safety surveys; monitoring and documentation of contractor activity; providing technical advice regarding containment and mitigation measures; and assisting in air monitoring. In addition, they supplied pollution response equipment to supplement commercial contractor capabilities for pumping and storage of the run-off product and contaminated water from the site. Other agencies involved in supporting the EPA OSC on this case included the Department of Health and Human Services, the U.S. Forest Service, the Virginia National Guard, various Virginia State agencies, and local and county fire departments and emergency service organizations.

SENATOR ANDREWS: Do receipts from runoff petroleum go toward the cost to contain the fire, or to the Federal Treasury?

ANSWER: Since the Coast Guard was not the Federal On-Scene Coordinator for this incident, we do not have any information concerning the disposition of receipts from the sale of liquid run-off. This information should be available from EPA Region 3 or EPA Headquarters.

BLIMPS

SENATOR ANDREWS: We understand the Coast Guard and Navy are jointly testing blimps. What Coast Guard missions might blimps perform? What maneuvering and hovering capabilities are you seeking, and what have been the results to date?

ANSWER: Lighter-than-air craft would primarily support law enforcement surveillance. Capabilities sought include a 90 knot dash speed, 60 knot cruise speed, and long loiter and endurance capability.

We also expect these craft to have significant value for other missions including search and rescue, marine environmental response, and port and environmental safety. For such missions, capabilities sought include ability to launch and recover a small boat for boarding operations, retrieve people from the water with a rescue hoist, and tow small craft or sonar arrays. Preliminary results from an operational evaluation at Weeksville, North Carolina indicate that all of these capabilities are achievable.

Pay Supplemental

SENATOR ANDREWS: What absorption rate is assumed for the FY 1984 requested pay supplementals for both Operating Expenses and Reserve Training?

ANSWER: The Operating Expenses appropriation absorbed 26% of the total cost of the FY 1984 pay raise, and the Reserve Training appropriation absorbed 61% of the cost.

SENATOR ANDREWS: How does this rate compare to pay absorption over the past three years?

ANSWER: The following table summarizes the absorption of pay raise increases for the past three years:

	OPERATING EXPENSES	RESERVE TRAINING
FY 1983	50%	50%
FY 1982	14%	68%
FY 1981	24%	12%

GOLDEN FLEECE AWARD

SENATOR ANDREWS: Provide a response for the record to Senator Proxmire's Golden Fleece Award to the Coast Guard for spending $1.1 million to build a boat-repair station at Cape Hatteras which sat empty for one year.

ANSWER: The Golden Fleece Award was based on an IG Report provided in 1982 to the Commander Fifth Coast Guard District pointing out that the Intermediate Level Boat Maintenance Facility (ILBMF) had been complete for several months but was not in use and no billets had been provided to man the facility. Commander Fifth Coast Guard District provided a response on 9 December 1982 to the Manager of Department of Transportation Inspector General Region III outlining corrective action that had been taken which resulted in the fully operational ILBMF. The underutilization was due to poor planning and a failure to request funding for billets to operate the facility upon its completion. This oversight required reprograming existing resources to have the personnel in place by completion of the facility. Just prior to the dedication of the ILBMF the boat lift was damaged during certification and had to be repaired. When the lift was repaired and certified the necessary personnel were transferred in July of 1982 from within the Fifth Coast Guard District to operate the ILBMF. It is now in full use and is performing repair and maintenance on Coast Guard boats on a regular basis.

DIGITIZED COMMUNICATIONS

SENATOR ANDREWS: Provide a status report on research efforts leading toward digitized communications. Are ten vessels currently so equipped? What is the research or operational future for such an initiative?

ANSWER: Several R&D projects are addressing digitized communications.

We are preparing a report for R&D personnel and program managers which summarizes the theory of operation, advantages, disadvantages, limitations, future trends, etc., of currently available (or soon to be available) communications technologies, including several digital techniques. Follow-on projects will explore selected technologies.

As part of our multi-mission command and control project, ten vessels equipped with digital communications terminals are

participating in a test bed evaluation. Results to date are very promising. Interest in the field is high.

We are investigating possible Coast Guard application of an experimental mobile satellite communications system, presently being developed by NASA, which will use digital communications techniques.

We have made a preliminary investigation of using automatic Morse code transcribers, speech synthesis and speech recognition. Although speech synthesis may be of use in the near future, the state-of-the-art has not advanced sufficiently for Morse code transcription or speech recognition by a computer.

DEEPWATER PORT LIABILITY FUND

SENATOR ANDREWS: The budget proposes "such sums as may be necessary" for the Deepwater Port Liability Fund. What expenses have been incurred to date in the fund? What difficulties (have or) may occur as a result of the FY 1984 cap of $1 million?

ANSWER: Since the fund became operational with revenues in 1981, operating expense obligations related to the cost of administration through March 1984 totaled $64 thousand. These administrative costs are the only expenses to date which have been charged to the fund. Fortunately, there have not been any deepwater port spills which have required federal cleanup cost expenditures or the payment of damage claims from the fund.

Obligations of amounts available in the fund are subject to appropriation act control. An indefinite appropriation enables us to immediately access all amounts that may be in the fund. This is required before invoking statutory borrowing authority to meet fund obligations. It is possible that a definite appropriation limits obligations against amounts deposited in the fund during the fiscal year which are over and above the definite amount appropriated. While we have not yet had a problem in this regard, it is conceivable that the FY 1984 cap of $1 million could prevent us from obligating amounts available in the fund above that level without first obtaining a supplemental appropriation. Should a major spill occur while Congress is in recess or adjournment, prompt payment of cleanup and damage claims above the cap could be precluded pending approval of a supplemental budget request.

SENATOR ANDREWS: What is the status of legislation to amend the Deepwater Port Act of 1974 (such as H. R. 2353)? What impact will such legislation have on the fund?

ANSWER: H. R. 2353, the House bill to amend the Deepwater Port Act of 1974, still pends action in the Water Resources Subcommittee of the Public Works Committee. The companion Senate bill, S. 1546 passed the Senate on March 30, 1984. If enacted, this legislation would:

. Freeze the fund at its balance on the date of enactment (estimate $5.5 million).

. Suspend the $.02 barrel fee presently collected on each barrel of oil unloaded at a deepwater port.

. Authorize discretionary resumption of barrel fee collections whenever the fund balance falls below $4 million.

. Clarify the authority to borrow to meet draws on the fund for cleanup costs in excess of amounts available in the fund.

. Clarify the liability of vessel owners and operators.

NAVY TEST PROGRAM

SENATOR ANDREWS: The Senate Report accompanying the FY 1984 Defense Appropriation (P.52) instructs the Navy to conduct a one-year test program with the Coast Guard to examine the utility of the six PHM hydrofoil ships in the drug interdiction program. Where does this test stand? How active is the Coast Guard in this test? What impact may result on future Coast Guard resources, and/or drug interdiction efforts?

ANSWER: The test is proceeding well. A ten day operation utilizing two of the PHM's in the northern Gulf of Mexico has been completed. A second deployment is planned for the near future. Operations are also planned in the Caribbean area. These special operations are in addition to the routine use of the PHM's by the Coast Guard to respond to intelligence on a case by case basis. The Operational Commanders (Seventh and Eighth Coast Guard Districts), were involved in the planning stages of the evaluation from the onset. At this point, it is premature to predict the impact on future Coast Guard resources. It initially appears an efficient use of PHMs by the Coast Guard is on a case by case basis responding to either intelligence or the actual results of surveillance. To date PHMs have been involved in four seizures resulting in the interdiction of 36,500 pounds of marijuana.

SENATOR ANDREWS: The Senate Report also indicates that $10 million of Navy operating expenses cover unbudgeted but programmed reconnaissance flying hour costs associated with law enforcement. What impact has this increased Navy funding had on Coast Guard activities?

ANSWER: The Navy effort is primarily provided in support of the National Narcotics Border Interdiction System. The specific impact on the Coast Guard is that Navy efforts help fill the shortfall of maritime surveillance flight hours and thus improve our ability to effectively patrol the major sea lanes identified as the primary routes used by smugglers.

FY 1983 REPROGRAMMING REQUEST

SENATOR ANDREWS: On February 28, 1984, the Secretary requested reprogramming authority for $21,135,000 of FY 1983 acquisition, construction and improvements funds. The sources of this money are: savings from completed projects ($6.7 million) and Forward Looking Infrared Radar (FLIR) ($14.4 million). Please explain how these savings have been achieved. Will it be necessary to restore FLIR funds in the future? If so, when and in what amount? Provide for the record the total original budget estimate and final cost for the three construction projects.

ANSWER: The $6.7 million in savings was achieved from certain project costs being lower than projected go rnment estimates. It will be necessary to restore in the future FLIR funds previously reprogrammed.

The following is the budget estimate and costs for the projects used as sources for the reprogramming:

Project	Budget Estimate	Estimated Final Costs
S/C Kodiak Personnel Activity Center (Under Construction)	$17 Million	$12.5 Million
Station Sabine Renovation (Under Construction)	$3.89 Million	$1.84 Million
Governors Island Ferry (Under Rehab)	$9.7 Million	$9.2 Million

SENATOR ANDREWS: The Secretary proposed to fund Loran-C solid state transmitters ($8.1 million). In July, the Committee was informed that these funds were needed for six transmitters at a cost of $14.1 million. Is that still an accurate estimate? What is the relationship between this request and the $5 million for Loran-C transmitters in the FY 1985 "3 part list"?

ANSWER: The original plan was to purchase nine solid state transmitters (SSX) at a cost of $14.1 million. $8.1 million was used to procure the first six SSXs over a two year time period. The third year contract for the additional three SSXs was terminated for convenience. Total procurement now stands at six transmitters instead of nine.

SENATOR ANDREWS: For how many medium range recovery helicopters will this request provide replacement Doppler radars? What is the total cost for replacement Doppler radars? Why was this item not included in the FY 1985 request, as suggested by the Committee in its September 15 letter?

ANSWERS: Replacement Doppler radars will be provided for our thirty-seven MRR helicopters (HH-3F). The total cost for replacement Doppler Radars is $6.3 million. This item was included in the FY 1983 reprogramming request because of the urgency to provide replacement Doppler radars. The Coast Guard is the sole user of these 20 year old radars. The lack of spare parts and the unreliability of the systems mandated replacement at the earliest opportunity. Thus, the Coast Guard requested to reprogram funds to this high priority program instead of waiting until the FY 1985 budget.

SENATOR ANDREWS: Are HH-3F Doppler radar systems still in operation on any helicopters? How many MRR helicopters have already been outfitted with replacement Dopplers?

ANSWER: Doppler systems previously installed in the HH-3F helicopters have been removed due to supportability problems. A new Doppler system has not yet been selected. Therefore, no HH-3F helicopters have been outfitted with replacement Dopplers.

SENATOR ANDREWS: When a decision is made on a replacement for MRR Helicopters, will these replacement Dopplers be transferred to new aircraft? If not, what is the cost/benefit ratio of placing them on HH-3F's?

ANSWER: The replacement Doppler systems will be initially installed in the HH-3F and then transferred to the new MRR helicopter.

SENATOR ANDREWS: Shore Support for Southeast U.S. Buildup ($4 million) the Committee directed, in its September 15, 1983, letter to the Secretary, that these shore support funds "be obligated without further delay". Why has the Department not complied? The Committee further directed that the Southeast U.S. buildup support be accommodated within the reprogramming request of August 4, 1983 for $85.165 million. Why was this directive not complied with?

ANSWER: Coast Guard has proceeded expeditiously with this project and has completed the design, site preparations and solicitation of bids. Contract award for construction is scheduled for September 1984.

SENATOR ANDREWS: What is the status of obligations for items reprogrammed pursuant to the August 4 request?

ANSWER: The funds have been obligated as follows:

Project	Budget	Obligations
Maintain Long Range Search (LRS Capability - PH II)	$67.6 million	$67.6 million
Relocate Gulf Strike Team	$ 3.758 million	$ 1.9 million
Training Center Petaluma Classrooms	$ 9.5 million	$ 8.8 million
Lighthouse Automation & Modernization Program (LAMP)	$ 2.0 million	$ 2.0 million
Minor aid-navigation solar power conversion	$ 1.0 million	$ 1.0 million
Support Center New York Firehouse	$ 1.307 million	$ 1.1 million

SENATOR ANDREWS: Are these funds still intended for Port Canaveral and St. Petersburg for two Medium Endurance Cutter support, and Key West Patrol Boat support? If so, what arrangements have been made for these requirements in the intervening period?

ANSWER: Funds provided are still required for Port Canaveral, St. Petersburg, and Key West. These projects are at various stages of design and construction. Temporary trailers, berthing on-board the vessels, minimum temporary rehabilitation of existing buildings, and temporary berthing in Navy barracks at Key West are being used in the intervening period.

SENATOR ANDREWS: Was $1.5 million of "unspecified funds" applied to this activity, as indicated in the July 11, 1983 letter to the committee?

ANSWER: Yes. The $1.5 million was for Government Furnished Equipment, outfitting and provisioning items.

SENATOR ANDREWS: Is the estimate for tug #7 still $15 million? If so, and since $13.7 Million was provided in FY81, why is additional amount necessary? What other AC&I projects will be restored with these funds?

ANSWER: Contract for WTGB #107 was awarded to Bay City Marine for $15 million. $1.5 million was used to provide the

main engine and other Government Furnished Equipment, outfitting and provisioning items.

The 270' WMEC acquisition project will be repaid for funds reprogrammed to the 140' WTGB project in order to make the contract award.

SENATOR ANDREWS: Have 2 HU-25A aircraft been assigned to Air Station San Diego? If not, why not and when is the expected assignment?

ANSWER: HU-25A aircraft have not yet been assigned to Air Station San Diego. The implementation of these aircraft at San Diego has been delayed for two reasons: Facilities modifications required before Air Station San Diego can accommodate HU-25A aircraft are not yet complete, and the current shortage of some HU-25A spare parts precluded operating HU-25As from an additional site. Air Station San Diego is currently scheduled to receive three, as opposed to two previously planned, HU-25A aircraft on 1 November 1984. The third aircraft is being reprogrammed from Air Station Sacramento to more effectively accommodate increasing law enforcement efforts in Southern California.

SENATOR ANDREWS: How much of the requested $1.235 million will fund fueling pits and shop/maintenance facilities? How much will fund office (Hangar I), lavatory, and locker space (Hangar 2)? Why cannot these latter administrative support items be accommodated within existing funds?

ANSWER: Of the funds requested approximately $691 thousand will fund facilities modifications/expansions directly related to the "hands-on" maintenance and operation of HU-25A aircraft, including fueling pits and shop/maintenance spaces. The remainder will fund the modification/expansion of office, lavatory, and locker room spaces required to accommodate the forty seven additional aviation personnel to be assigned concurrent with the HU-25As. Expansion of these facilities is required to accommodate the increased management and administrative needs associated with the operation and maintenance of three HU-25As and a 31% increase in the number of aviation personnel assigned. Existing funds in the AC&I appropriation, the appropriation under which items such as these must be funded, are all earmarked for the projects for which the funds were appropriated.

SENATOR ANDREWS: The August 4, 1983 Reprogramming stated that 4 HC-130 airframes would be delivered in May 1984. Is this date still accurate? If not, what caused delays? Where in the FY84 and 1985 budget will the maintenance cost savings be reflected?

ANSWER: Four C-130 Airframes have been delivered from the Lockheed-Georgia production line. A fifth will be delivered in June. The four delivered airframes are being modified to USCG configuration at Marietta. The first C-130 will enter USCG service in late July 1984 and be followed at one month interuals by the remaining four. C-130 maintenance cost savings of $3.0 million is listed under program reductions (page 38) in the FY85 Budget.

WARRANTIES

SENATOR ANDREWS: Would a stronger warranty on the Falcon Jets have averted the problems the Coast Guard has experienced

with this aircraft? How much non-routine maintenance and repair costs have been realized for the new jets? How much of this is covered by manufacturer warranty?

ANSWER: A stronger warranty would not have averted any of the problems experienced with the HU-25A aircraft. These problems are part of the maturation process for any new aircraft system. Nearly all of the "non-routine maintenance and repair costs" have been covered under the provisions of the warranty. For example, for the first two years of operation, through February 1984, there have been 6,788 warranty claims filed by the Coast Guard. Only 578 of those claims have been denied by the contractor.

SENATOR ANDREWS: When will the HU-25 aircraft problems be solved? Explain for the record the rationale behind FY 1985 savings of $1M (page 40) for Falcon overhauls.

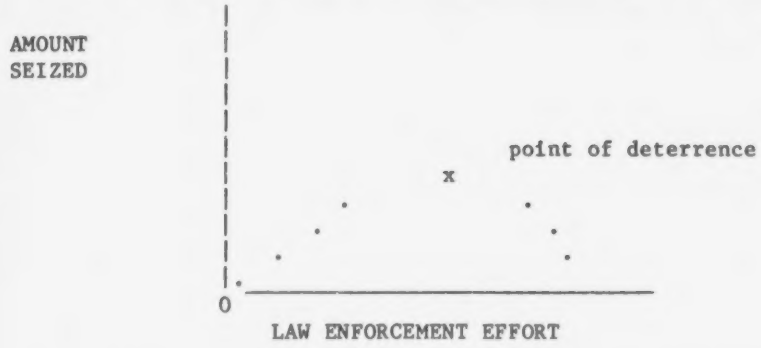
ANSWER: HU-25A problems are being paced by ATF-3 engine technical problems which as a developmental engine is expected to take approximately 5 years to mature. To date, HU-25A's have not flown the number of flight hours programmed due to the technical and support problems experienced. The Administration estimates that the reduction ($1.0M and 15 military personnel) can be taken without adversely affecting maintenance capabilities due to the reduced level of HU-25A flight hours.

DRUG EFFORT - BUDGET

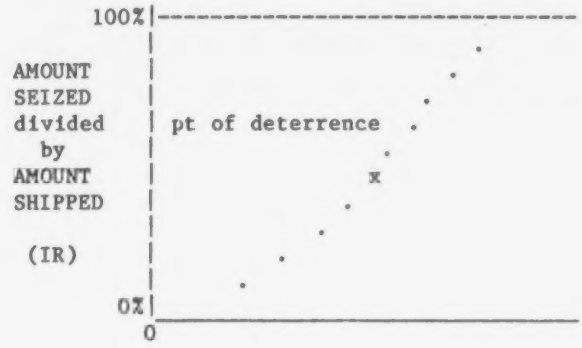
SENATOR ANDREWS: It has been calculated (OMB) that the FY 1983 cost per pound of marijuana interdicted has almost doubled over the 1981 rate. Do you agree, or have an explanation?

ANSWER: The cost of operating the Coast Guard drug interdiction program divided by the weight of marijuana seized has roughly doubled from FY81 to FY83. However, to look at cost per pound of marijuana seized as a cost-benefit ratio or even a cost-performance ratio across time is misleading. The amount of marijuana seized is at least a function of 4 factors: The amount shipped; the effectiveness of the smugglers at avoiding interception; the amount of interdiction effort by law enforcement agencies and the effectiveness of law enforcement agencies at interdicting the smugglers. Cost per pound of marijuana seized could be used to assess the most cost effective interdiction method if compared during the same time period under similar conditions (same transportation mode) and only when comparable costs are included. It should not be used in trend analysis because the actions of the smugglers may be completely different in the sub-sequent time frames. For example, assume the amount of seizures has dropped while enforcement effort has increased. One doesn't know if this were caused by a drop in shipments, an increase in the effectiveness of smugglers in avoiding interception, a decrease in enforcement effectiveness or any combination.

GRAPH 1: AMOUNT SEIZED vs LAW ENFORCEMENT EFFORT



GRAPH 2: INTERDICTION RATE vs LAW ENFORCEMENT EFFORT



SENATOR ANDREWS: Provide for the record a historical comparison of drug interdiction spending and results for the past five years.

ANSWER:

Drug Interdiction Expenditures:

	1979	1980	1981	1982	1983
($ Millions)	$79	$90	$150	$172	$193

Drug Interdiction results 1979-1983(by Calendar Year):

	1979	1980	1981	1982	1983
SEIZURES BY COAST GUARD					
Cases:	110	149	173	233	256
Vessels:	101	134	146	174	164
SEIZURES BY OTHER AGENCIES WITH CG ASSISTANCE					
Cases:	25	20	22	33	31
Vessels:	23	17	21	28	25

Drug Interdiction results 1979-1983(by Calendar Year):(Cont'd)

	1979	1980	1981	1982	1983
MJ(LBS)					
Cases:	2,682,586	2,494,774	2,629,273	3,535,985	2,388,758
Vessels:	2,576,216	2,451,459	2,544,696	3,471,005	2,314,806
MJ(LBS) BY OTHER AGENCIES CG ASSISTANCE					
Cases:	353,950	279,607	186,991	194,073	116,450
Vessels:	353,900	227,446	186,891	165,173	106,406
COCAINE (LBS) BY COAST GUARD	0.01	0.00	40.10	9.11	46.20*
COCAINE (LBS) BY OTHER AGENCIES CG ASSISTANCE	0.00	10.01	96.10	784.01	1000.01
HASHISH (LBS) BY COAST GUARD	43,550	564	34,580	0	29,962
HASHISH (LBS) BY OTHER AGENCIES CG ASSISTANCE	0	168	0	18	3
HASHISH OIL (GAL) CG OR ASSIST	0	5	7	0	10
THAI STICKS (LBS) BY COAST GUARD	0	12,623	0	3,190	0
THAI STICKS (LBS) BY OTHER AGENCIES CG ASSISTANCE	251	0	0	0	0
DANGEROUS DRUGS (DOSES) BY COAST GUARD	4,186,060	514,584	5,961,009	61,628	100
ARRESTS TOTAL:	572	728	803	1,078	873
CG:	463	649	737	991	817
STREET VALUE OF CONTRABAND $MILLIONS(TOTAL)	1,916.2	1,992.8	1,795.1	2,285.4	1,223.5

*1895 lbs. were seized in one case in April 1984

SENATOR ANDREWS: Is marijuana use up or down nationally? Is Maritime smuggling on the decrease? (Calendar year 1983 figures show lowest cases since 1977.)

ANSWER: The latest information available from the National Narcotics Intelligence Consumer Committee (NNICC) indicates a slight decline in marijuana and cocaine usage only in the under - 26 age group. Marijuana smuggling did seem to decrease last year. In CY

82, the Coast Guard seized 174 vessels carrying 3,471,005 pounds of marijuana. In CY 83, we seized 164 vessels carrying 2,314,806 pounds of marijuana. There are three major reasons for this decline:

(1) According to the National Narcotics Intelligence Consumers Committee (NNICC), the 1982 Colombia crop (mostly shipped in 1983) was considerably smaller than the crop produced in earlier years, due primarily to a poor growing season. NNICC estimates that Colombia produced 7,000 - 8,000 metric tons of marijuana in 1982 (57% of total supply in U. S.), as compared to production estimated at 7,500 - 11,000 metric tons (79% of total supply in U. S.) in 1981.

(2) The Coast Guard was able to devote more ship and aircraft resource hours to drug interdiction in 1983 than in previous years. In FY 82 the Coast Guard devoted 109,000 cutter resource hours and 9,500 aircraft resource hours to general law enforcement primarily for drug interdiction. In FY 83, these figures increased to 170,655 and 10,315 respectively. Additionally, improved utilization, the coordinating efforts of NNBIS and the assistance of the Department of Defense greatly increased the effectiveness of our efforts. The end results of these quantitative and qualitative improvements is a more visable presence and a higher level of deterrence, which we feel is finally discouraging some portion of the maritime smuggling trade from attempting the risky voyage.

(3) Over the past two years, internal enforcement efforts within Colombia have become increasingly effective, removing a higher percentage of the annual crop from the market before it could be shipped to the U. S.

Analysis of the first two quarters of seizure statistics for FY 82, 83, and 84 also indicates that the perceived drop in maritime smuggling in 1983 may be only a short-term phenomenon:

FY (OCT-MAR)	VSLS SEIZED	POUNDS MJ SEIZED
82	109	1,898,707
83	60	1,083,068
84	120	1,729,589

As these figures indicate, the Coast Guard seems to be returning to higher levels of seizures in 1984.

DRUG TRAFFIC

SENATOR ANDREWS: What statistics do you have on vessels seized and arrests?

ANSWER: Statistics accumulated over the past five calendar years are as follows:

VESSELS SEIZED/ARRESTS 1979-1983

	79	80	81	82	83
VESSELS SEIZED BY COAST GUARD	101	134	146	174	164
VESSELS SEIZED BY OTHER AGENCIES WITH CG ASSIST	23	17	21	28	25
ARRESTS TOTAL:	572	728	803	1,078	873
CG:	463	649	737	991	817

SENATOR ANDREWS: How many cutters are you operating full time in the Caribbean? What missions have been assigned for the Surface Effect Ships (SES)?

ANSWER: For the past year, the Coast Guard has averaged 6.2 high and medium endurance cutters, plus surface effect ships, underway in the Caribbean full time. If you include the Haitian Migration Interdiction Operation (HMIO) cutter, this number becomes an average of 7.2 vessels. The Surface Effect Ships have been assigned the primary missions of Enforcement of Laws and Treaties (ELT) and Search and Rescue (SAR).

SENATOR ANDREWS: What other aspects of your FY 1985 budget are directed toward the Task Force activities?

ANSWER: Coast Guard activities in the Southeast U.S. will continue to expand in the near future. Increased efforts in the FY 1985 budget include:

a. Implement the Law Enforcement Information System (LEIS) ($580,000) Note: The majority of these funds will be allocated to the Operations Computer Center (OCC) in New York, however since most of the drug interdiction activity is in the SEUS, the primary beneficiary of this support will be the Seventh District

b. Annualize resources through the 1984 Supplemental for the National Narcotics Border Interdiction System (NNBIS) SE Region ($650,000), and the Organized Crime Drug Enforcement Task Force (OCDETF) in Miami ($10,000)

c. Annualize resources provided part-year in FY 1984 including:
1. Patrol Boats (WPB) for SEUS operations ($1.25 million)
2. Increase ELT personnel support in Miami ($114 thousand)
3. Seventh District radar surveillance/EPIC ($240 thousand)
4. Improve law enforcement operations at selected Groups in the Seventh District ($240 thousand)

d. Multi-mission program enhancements, AC&I acquisitions and modernizations to improve ELT capability:
- 270' WMEC
- 378' WHEC FRAM
- 210' WMEC Mid-Life
- Aireye
- HH-65A Helicopters
- HC-130 Aircraft
- HC-130 Sensors

e. Expand facilities at Air Station Borinquen, PR to support new HU-25A aircraft ($68 thousand)

f. Provide Voice Privacy and Secure Voice communications ($1.95 million)

DRUG PROGRAM - INTELLIGENCE

SENATOR ANDREWS: The Commandant last year identified the need for improved intelligence and intelligence-sharing in the drug effort. Of particular concern was the "field level", where you have miscommunication and lack of training. What steps were taken last year, either by the Cabinet Council, the Coast Guard or other agencies to improve intelligence?

ANSWER: Our efforts to improve intelligence have attempted to develop information from many sources--Coast Guard, law enforcement agency and National Intelligence Community sources. The Coast Guard has expanded its in-house effort by developing several programs to exploit these new sources of information. Intelligence information from one of these classified programs resulted in or contributed to approximately 50 percent of our mothership seizures.

In support of these new Coast Guard programs, we have developed a staff of trained personnel to exploit this intelligence and ensure its timely flow to our operational commanders. At Coast Guard Headquarters, we are establishing an Intelligence Coordination Center (ICC). When fully operational, the center will maintain a 24-hour all source intelligence watch to exploit all systems available to the Coast Guard. This center is currently producing strategic intelligence tailored for Coast Guard operational commanders and directing the collection and exploitation of intelligence from the National Intelligence Community and various law enforcement agency intelligence units. Our Area Commanders staffs have also been expanded to include intelligence personnel. These new positions function as collection coordinators of Coast Guard subordinate units. In addition to these 56 new intelligence billets, the Coast Guard provided 63 billets to the Vice Presidents National Narcotics Border Interdiction System centers during the past year. We are refining our intelligence tasking and reporting system and increasing the effectiveness of our personnel through available training at the Defense Intelligence College and Navy Intelligence training centers. We have also taken steps to provide NNBIS, EPIC and Coast Guard commands secure communications to allow uninhibited communication on a timely basis.

SENATOR ANDREWS: How is drug interdiction intelligence gathered and disseminated now--is most information gathered from local and state sources rather than by Federal agencies?

ANSWER: Drug interdiction intelligence comes from many sources. They range from local police departments to the most sophisticated sensor systems. All of this information is transmitted to EPIC and the Coast Guard's Intelligence Coordination Center (ICC). The Coast Guard, as with other agencies, also participates in the National Narcotics Border Interdiction System (NNBIS). The NNBIS regional centers serve as a focal point for gathering, evaluating and disseminating pertinent regional information of tactical value to intelligence operations, and to all agencies' resources which are, or might be, made available to interdict

drugs intended for importation. Most of the intelligence that contributes to the seizure of drug trafficking motherships is gathered and disseminated by the Coast Guard. In CY 1983 approximately 50 percent of all mothership seizures were based on intelligence collected by Coast Guard activities and 40 percent resulted from strategic patrolling by our cutters and aircraft. The remaining 10 percent resulted primarily from intelligence provided by DEA and Customs. DOD, state and local participation accounts for a small percentage of our seizures.

SENATOR ANDREWS: Is any one Federal agency the lead drug intelligence source? How is intelligence exchanged among the Federal participants--is coordination primarily the responsibility of district personnel or is intelligence exchanged in Washington among agency personnel?

ANSWER: The Drug Enforcement Administration is the primary Federal agency responsible for enforcing Federal laws against narcotics traffickers, and through its information center at El Paso maintains a data base with most of the narcotics intelligence collected by many different agencies, including Federal, state and local. Our mission within the Federal strategy is to interdict drugs at sea. To support that mission, maritime drug intelligence for timely, accurate information on the number, identity, location and destination of all vessels is necessary. While coordination and exchange of local intelligence depends primarily upon the abilities of our special agents at the district level, the ICC and EPIC provide coordination of national intelligence at the national level, and our Area Commander intelligence staffs are now providing all-source support at the regional level. We depend upon various sources of intelligence information at all levels, and the usefulness of any single source is not representative if considered by itself. Coordination and dissemination of drug related intelligence with EPIC, NNBIS and other Federal law enforcement intelligence and National intelligence agencies significantly enhances the success of the total drug interdiction effort.

SENATOR ANDREWS: If the field is the "weakest link" couldn't some Federal agency cross training take place to bolster state and local efforts?

ANSWER: We are utilizing all available intelligence training resources to equip our personnel with the tools necessary to recognize and exploit intelligence opportunities. We are refining our tasking and reporting system and increasing the effectiveness of our personnel through available training. Attendance at both short-term and post-graduate courses is being expanded at the Defense Intelligence College. Coast Guard personnel attend several courses at the Navy Intelligence Training Centers and some Coast Guard agents receive entry level training at the Federal Law Enforcement Training Center. We believe this is an effective mix of training opportunities and will allow us to interface more effectively with the law enforcement and intelligence community. Similar initiative at the local level of a more tactical nature could produce significant results.

CRIME LEGISLATION

SENATOR ANDREWS: Earlier this session the Senate passed crime legislation which, we understand, instituted a drug "CZAR". What impact would the establishment of a Drug Czar have on Coast Guard efforts?

ANSWER: The establishment of a Drug Czar who would have discretionary control over deployment and use of Federal resources would have a substantial and detrimental impact on Coast Guard operations. Coast Guard resources are multimission in nature. Adding an additional layer of command and control focusing on only a single mission would substantially impair the Coast Guard's ability to manage its resources.

DRUG INTERDICTION RESEARCH

SENATOR ANDREWS: With drug interdiction one of the Coast Guard's primary missions, why is only $100,000 requested in FY 1985, a decrease of 33%?

ANSWER: The $100,000 requested in FY 1985 is for only one of several efforts addressing drug interdiction. The $100,000 is for the final phase of an examination of historical data and operational alternatives for optimum drug interdiction strategy and tactics. Other drug interdiction projects currently underway using prior year project funds are as follows:

An Aerostat tethered balloon-mounted radar is currently being evaluated in the Caribbean for operational effectiveness. Results to date are very encouraging. Aerostat offers greater detection capability with fewer resources.

A Forward Looking Infrared (FLIR) sensor system is being configured for shipboard use. FLIR will allow nighttime/all-weather detection and surveillance.

The AIREYE sensor system, to be operational this July, will significantly aid drug interdiction detection and surveillance.

We are studying advanced marine vehicle (AMV) alternatives, particularly patrol boat class, and lighter-than-air vehicles for improved law enforcement cost-effectiveness. The AMV study has produced procedures for improving tactics with existing ships and aircraft.

SENATOR ANDREWS: What "present and future drug interdiction tactics" will be developed during FY 1984 and FY 1985?

ANSWER: We will be looking at critical parameters such as resources deployed at "choke points": what are the trade-offs involved in increasing, decreasing, and redistributing cutters, personnel, surveillance, etc. We will develop a long-term strategy assuming different scenarios based on trends in drug traffic and technology, impact of support from other agencies, and coverage by season.

SENATOR ANDREWS: What level of research coordination is conducted with other affected agencies (Customs, Department of State)? If none, why not?

ANSWER: Much of our drug interdiction strategy data is obtained from the Customs Service and the National Narcotics Border Interdiction System (NNBIS), which includes information from various agencies. Our drug interdiction strategies project is limited to Coast Guard drug interdiction efforts. As such, the coordination with other agencies is limited to information gathering and interactions with them.

SENATOR ANDREWS: What application has been made of the previous investment in a computer model, simulating cutter patrols?

ANSWER: The Coast Guard has developed and used computer models extensively for law enforcement patrol tactics and

strategy, and for evaluating advanced marine vehicles in law enforcement roles. Most recently, the model was used to evaluate a Small Waterplane Area Twin Hull (SWATH) in a law enforcement role. By changing the parameters that describe a vessel's performance, the model can be used to evaluate other vessels in a law enforcement role. The models are currently reaching the state of development that will allow the decision maker to ask basic "what if" questions.

Future applications will involve integration of our Law Enforcement Information System, the drug interdiction strategy project, and the marine vehicle computer model for tactics evaluation.

SENATOR ANDREWS: What were the results of past efforts to "identify effectiveness measures for drug interdiction", and develop "an economic model of drug smuggling"?

ANSWER: Measures of Effectiveness (MOEs) were developed to best represent the ability of various types of marine vehicles to fulfill mission requirements. MOEs were defined for both search and rescue and law enforcement. Each set of MOEs was based on probability of success in a representative scenario. These MOEs were applications of existing mission MOEs.

We conducted a separate project to develop drug interdiction MOEs and an economic model of the marijuana industry. We produced significant indicators of drug interdiction effectiveness such as supply and demand characteristics (quantity and price of various drugs, perceived harmfulness, usage rates, etc.). The economic model was not completed due to time constraints, and obtained a CIA report with much of the information the model would have supplied.

PERSONNEL LEVELS - MILITARY

SENATOR ANDREWS: The FY-1985 budget proposes a 513 military position cut from this year's level of 39,392. What will be the impact of this reduction? How will the reduction occur? Why is the reduction associated exclusively with the Operating Expense account?

ANSWER: The impact on services provided to the public should be slight. It is anticipated that several hundred military billets can be reduced and effectively replaced by contract services. No reduction of services currently provided to the public is expected. Personnel levels in all other appropriations have remained constant to insure satisfactory levels of performance in their associated purposes (Reserve Training, Research, Development, Test and Evaluation and AC&I Administration) in the face of increased levels of expenditure. The Operating Expenses Appropriation programs have been those which are experiencing changes that require personnel adjustments (A-76, FRAM, etc.).

SENATOR ANDREWS: A review of the organizational distribution of FY-1985 positions (p. 19) reflects that major personnel reductions are taken in the following areas:

Marine Safety and Inspection
Shore Units
Cutters

Explain the rationale behind reductions in these "line" areas while "staff" activities stay essentially level.

ANSWER: Major personnel reductions primarily involve the A-76 process and reflect in-house functions being replaced with contract services. While these positions are at "line" units, most are of a type that perform support functions. These functions are carried out predominantly in the field. There is also a temporary reduction of 122 billets on high and medium endurance class cutters as these vessels begin to enter an extensive shipyard availability.

SENATOR ANDREWS: Furthermore, why is there a personnel increase in FY-1985 for training and recruiting if overall employment is being reduced.

ANSWER: The "Recruit, Train, and Maintain Service in All-Volunteer Environment" category of the Operating Expense portion of the budget identifies an increase of twelve personnel, which is made up seven military billets for ELT Training Team Expansion (item OE 6.A) and five civilian positions for Medical Monitoring of Field Personnel (item OE 6.B). The rapid expansion of the Coast Guard's involvement in ELT operations has produced a corresponding rise in the need to train armed boarding parties to effectively and safely conduct vessel boardings, particularly for West Coast Coast Guard units. In carrying out marine safety and environmental protection duties, Coast Guard personnel are exposed to a wide variety of hazardous chemicals. Virtualy no medical monitoring program is currently being accomplished and no standardized program exists to monitor the potential chronic effects of these exposures. The increased demand for ELT training and the need to establish a medical monitoring program exist in the face of a small reduction (less than 1%) in overall employment.

SENATOR ANDREWS: Is it not true that the Department had imposed an FY-1984 1 1/2% "reserve" on positions? If this is still in effect, won't it be easier to achieve the FY-1985 reduction envisioned in the budget?

ANSWER: The "reserve" imposed by the Department in FY-1984 involved full time equivalent (FTE) work years not full time positions (FTP). This action prevented us from filling the equivalent of 87 positions for the full year. Since 87 lower priority man years (FTE) have remained unfilled, the elimination of positions (FTP) in FY-1985 is less difficult because it probably will not require significant reductions in force or union negotiations. The 68 position reduction in FY-1985 relates directly to the Administrations 116 reduction in FTE in 1984 which is continued through to 1985.

SENATOR ANDREWS: The House-passed authorization bill contains a floor on military positions of 39,392. Do you support the concept of a floor for Coast Guard Personnel?

ANSWER: We do not support the concept. The floor limits the Commandant's flexibility to manage.

PERSONNEL LEVELS - CIVILIAN

SENATOR ANDREWS: The budget proposes a 242 civilian position cut in FY-1985. How was this figure arrived at? What impact will this have on "civilianization" efforts?

ANSWER: The 242 figure represents a net of positions to meet new requirements, civilianizations, and anticipated contracting out efforts. The vast majority of this number is due to A-76. It will have no effect on civilianization. This process will continue when there are demonstrated programmatic and cost benefits in doing so.

SENATOR ANDREWS: Why does this 242 cut translate into a full-time equivalent reduction of only 46?

ANSWER: There are several reasons for this. The 242 position cut is a net of position increases and position reductions. New positions created or deleted in the budget are not all carried as full year transactions because the civilian personnel hiring process can commence only after we receive an appropriation. In addition, some positions are only needed for part of the year depending on contract completion and equipment delivery dates. Positions can normally be filled/reduced for no more than half-year in the year they are budgeted. There is also a reduction of 68 positions for which the work year reduction was already taken in FY-1984. Where civilianization of military billets are involved there must be an adequate overlap provided for training; full year FTE is required for these positions.

SENATOR ANDREWS: Explain the reduction of 68 civilian positions shown on page 38. What lapse rate has the Coast Guard experienced historically? What rate is assumed in this reduction?

ANSWER: As part of the FY-1985 budget process, the Administration in January 1984 reduced FY-1984 hiring authority (FTE); this created an inordinately high lapse rate in FY-1985. This 68 position (FTP) non-programmatic reduction is intended to reduce the lapse rate.

The lapse rates for the past eight years are provided below:

	CG FTP	*HIRING AUTHORITY	% LAPSE
1978	6981	6678	9.56
1979	7088	6565	9.26
1980	6878	6536	9.50
1981	6321	5886	9.31
1982	5773	5597	9.70
1983	6040	5731	9.49
1984	6178	5800	9.39
1985	5936	5754	9.69

* Hiring authority is an end-of-year ceiling through FY-1982, and full-time equivalency (FTE) for FY-1983 through FY-1985.

There are no dollars associated with this reduction because Coast Guard civilian employment levels (FTE) for 1985 were not cut.

A-76 CONTRACTING OUT

SENATOR ANDREWS: What is the status of the Coast Guard's review of activities which can be contracted out? Are you now able to identify the 293 military and 289 civilian positions (page 39) which will be eliminated in FY 1985?

ANSWER: The Coast Guard has established a task force to implement A-76 on a priority basis to achieve the personnel reductions in the FY 1985 budget. Initial 1984 emphasis will be on converting support activities to contract without conducting cost comparison studies. A few full-scale cost comparisons will be initiated in 1984.

Specific billets and positions to be eliminated in FY 1985 have not yet been identified.

SENATOR ANDREWS: What Coast Guard activities are now contracted out? What annual savings are currently realized by contracting out and how does that historical level compare to the budget projections?

ANSWER: The Coast Guard has always relied on contractors to provide support services where they are less costly and do not adversely impact our ability to perform our missions. Typical examples of activities that are now contracted are:

Janitorial/custodial services
Security services
Electronics equipment maintenance
Major vessel maintenance
HC-130 maintenance
Tank and bilge cleaning
ADP services

Contracting has been routinely considered as a management alternative in our planning process. In fact, several activities were contracted from the start. Initial decisions to contract were based on economic analyses. Since contracts were awarded, we have made no follow-on cost analyses to determine the long-term cost savings, if any, nor have we made budget projections of savings.

SENATOR ANDREWS: Why does the budget propose contracting out savings of only $313 thousand while cutting 582 positions? For example the previous budget item, cutter personnel reductions of 122 positions, saves $1 million.

ANSWER: The $313,000 is the net anticipated savings of converting the functions performed by the 582 positions to contractor performed activities. Funds used to pay for in-house operations (salaries) will have to be paid to a contractor for performance of the same work at an anticipated smaller total cost. A period of dual operation and severence pay to former civilian employees reduces the first year savings from the conversion effort. The $1,000,000 savings you cite for 122 personnel reductions is possible because the jobs of these personnel are not going to be replaced by a contractor (i.e. a cutter is not going to operate during the FRAM overhaul). A comparable item would be the Aids-to-Navigation contracting effort where we anticipate 156 positions will be reduced but first year anticipated savings will be zero after paying for contractors to perform their functions.

OPERATING EXPENSES

SENATOR ANDREWS: The budget proposes appropriation language transferring $44.9 million from the Fisheries Loan Fund to augment the Operating Expense account. Has legislation been proposed by the Administration to accomplish this transfer? If so, please provide a copy to the Subcommittee. If not, please explain why.

ANSWER: The Fisheries Loan Fund is administered by the Commerce Department who have proposed legislation to transfer half of the balance of the Fund to the Coast Guard's Operating Expenses account.

ICEBREAKER PROGRAM

SENATOR ANDREWS: How many polar icebreakers are currently operational? What is the status of efforts to include polar icebreaking fixed costs in the Coast Guard budget? What budget increase would be necessary to support this concept?

ANSWER: Four polar icebreakers are currently operational: POLAR SEA, POLAR STAR, NORTHWIND and WESTWIND. A fifth icebreaker, GLACIER, is in an overhaul status. A multi-agency Polar Icebreaker Requirements Study, the results of which are under review for approval, examined the fixed cost funding problem. Coast Guard and other users believe that the present method causes difficulty in managing the fleet. The study results regarding fixed cost have not been finalized.

SENATOR ANDREWS: What user fees are contemplated for domestic icebreaking operations? Why does the budget (page 27) project domestic ice operations to increase from 595 hours in FY1983 to over 4,000 hours in FY1984 and 1985?

ANSWER: User fees are proposed for domestic ice breaking done at the request of a specific user on a principal waterway normally impassable without icebreaker assistance in the winter using an hourly fee schedule for the class of icebreaker required and available at the discretion of the Coast Guard operational commander. If the class of icebreaker that would normally be available to do the job is not available and a more expensive icebreaker is employed, the charge is based on the cost of the icebreaker that would normally be assigned. Activities to which fees do not apply will include ice breaking required for search and rescue and other emergency winter operations, ice breaking performed for the Corps of Engineers for flood control, and ice breaking conducted to facilitate navigation on principal waterways normally open to navigation in the winter. If commercial ice breaking assistance is adequate and available, Coast Guard ice breaking will not be provided. District commanders will determine adequacy and availability, with prime consideration given to safety of assisted and assisting vessels. The increase in hours of domestic ice operations projected for FY1984 is due to the light ice season in FY1983. Since FY1974, actual hours of domestic ice operations have ranged from 309 hours to 7,660 hours depending on the ice season. The 4,400 hours shown for FY1984 is an average value used for planning purposes.

SENATOR ANDREWS: What plans does the Coast Guard have for modernizing the icebreaker fleet?

ANSWER: The final plan for modernizing the fleet depends on the recommendations of the Polar Icebreaker Requirements Study, since those recommendations will influence fleet size and capability and the number of new replacement ships. The study report is under review for approval. We are continuing preliminary planning for the design of a replacement ice breaker this year.

SENATOR ANDREWS: Why will it cost $1.5 million to mothball the Wind class icebreaker (page 54)? What is the expected service life for the renovated GLACIER?

ANSWER: Much of the cost of mothballing a ship is for the work done to prepare it for storage without a crew aboard. For example, the ship must have special fire, flooding, and security alarms installed since there will be no crew aboard. Special

firefighting equipment, dehumidifiers, and locks must be installed. Certain repairs must be made in anticipation of reactivating the ship and many items of equipment must be removed, preserved and inventoried. There would also be an annual recurring cost of about $250,000 for housekeeping, security, utilities, and periodic exercise of the engineering plant. The cost of mothballing a ship also depends on the desired reactivation time; more repairs must be funded to shorten the reactivation period. The $1.5 million will allow for reactivation in six months to a year.

GLACIER's current major maintenance availability (MMA) is not a renovation; it will not extend it's service life and it will not improve the living conditions for the crew. The MMA accomplished repairs necessary to keep the icebreaker in service by correcting deficiencies in the ship's machinery. The Coast Guard plans to keep GLACIER in service until FY1993.

SENATOR ANDREWS: Provide for the record a summary of icebreaking costs and reimbursements for the last five years, including a listing of fleet size.

ANSWER: Costs to the Coast Guard and reimbursements (in actual year dollars) are shown below.

Fiscal Year	Costs ($000)	Reimbursements ($000)	Fleet Size
1979	31,006	1,352	5
1980	29,593	2,713	5
1981	36,797	1,451	5
1982	40,775	2,631	5
1983	43,345	30,599	5
1984(est.)	38,342	25,467	4

SEARCH AND RESCUE

SENATOR ANDREWS: Why does the budget propose a $32 million increase over FY 1983 for Search and Rescue when the number of persons assisted, lives saved and property loss prevented are all decreased in FY 1985?

ANSWER: Nearly 36 percent of the net SAR program cost increase is required for pay raises, non pay cost of living increases, and other built in cost increases. Much of the remaining increased costs are for the higher cost of new, more responsive and more effective aircraft, helicopters, vessels, sensor systems and upgraded SAR shore facilities. Although some SAR trends show a slight decline, SAR readiness remains at a very high level and new facilities and sensors actually improve responsiveness to any mariner in distress.

SENATOR ANDREWS: Have you any proposals to modify the Coast Guard's Search and Rescue mission to decrease Coast Guard participation in those incidents where commercial interests can provide support, and where the safety threat is not a consideration?

ANSWER: No. Our position has always been that we do not compete with private enterprise. We recently promulgated more specific guidance to the field on our role in non-emergency SAR. Any reduction in caseload due to increased participation in non-emergency SAR incidents by commercial interests will impact primarily on the Coast Guard Auxiliary. The Coast Guard will continue to prosecute all emergency SAR incidents.

SENATOR ANDREWS: The Coast Guard's goal for Search and Rescue (SAR) capability effectiveness rates is 85% by 1986. What is the current rate? Will the Coast Guard achieve the goal? If not, is there a lack of personnel or equipment involved?

ANSWER: The current measure of effectiveness is 77%. It is too early to determine if the Coast Guard will achieve its objective by 1986. However, improved sensor systems, faster aircraft, and position locating systems will ensure a gradual improvement to the effectiveness rate.

SENATOR ANDREWS: Why does the budget request Search and Rescue Program increases (in operating expenses and R&D) when the President's Budget (pages 5-80) states that requests for Coast Guard assistance have declined 3% annually since 1978?

ANSWER: A decline in SAR cases does not necessarily translate to a reduction in resources. Most of the increase in operating expenses and R&D are to restore or maintain the condition of the capital plant and accommodate rising costs due to inflation.

SENATOR ANDREWS: One of the objectives in the Search and Rescue area is to reduce time and costs associated with locating and alleviating distress. What specific improvement in search and rescue response time and costs can you cite?

ANSWER: Several acquisitions and planned acquisitions impact upon SAR response time. The HU25A and HH65A replace slower aircraft and will reduce transit time to the search area. The sensor systems being purchased, such as FLIR, FLAR, and AIREYE, will reduce time spent searching. Also, the establishment of SARSAT and VHF direction finding systems are expected to reduce the time required to locate distressed units and further reduce search time. The decrease in costs from these initiatives is not readily identifiable and in some cases an increased capability will allow us to respond to cases where we did not in the past. SARSAT is receiving a large number of distress signals (some false alarms) not previously received and has increased the need for rescue sorties. The improved capabilities of the sensors (i.e., night searches with FLIR) will allow operations that traditionally would not have been flown.

SENATOR ANDREWS: To what extent has the "Probability of detection" improved as you move toward electronic sensing equipment?

ANSWER: New electronic sensing equipment should have a very beneficial impact on SAR. FLAR has the potential to reduce sortie time by as much as 25% and FLIR provides the new capability of searching at night. SARSAT and VHF direction finding systems provide more accurate positioning in locating distressed vessels. The resultant reduction in response time for these systems should improve the probability of detection of a distressed vessel in the search area. The exact measurement of improvement is undetermined but under investigation.

SENATOR ANDREWS: Over the FY 1983 - 1985 timeframe, almost $16 million is projected for search and rescue R&D. Projects have ranged from a hypothermia study to participation in the Search and Rescue Satellite demonstration. For FY 1985, the research request

represents a doubling of the FY 1983 level, both in dollars and personnel. What correlation can you show between these wide-ranging investments and improved search and rescue operations?

ANSWER: A new R&D project supporting major patrol boat system acquisition is mostly responsible for the increase in the SAR R&D budget.

Major accomplishments in SAR R&D are as follows:

The joint SARSAT project has resulted in 140 lives saved through 1983, 30 by the Coast Guard.

The Forward Looking Infrared (FLIR) helicopter night vision sensor R&D prototype has demonstrated effective operations and has detected survivors at night not otherwise visible.

We have conducted research on visual and electronic search techniques to update our Search and Rescue Manual and improve estimates of probability of detection.

We have developed a rudder roll stabilization prototype for the WHEC-378 cutter. Reduction of roll via this system will increase our ability to conduct ship/helicopter operations in adverse environments.

AIDS TO NAVIGATION

SENATOR ANDREWS: The justification (page 25) states that in FY 1985 maintenance for certain aids to navigation will be contracted out. Please elaborate on this pilot program. Also explain why the budget shows an increase in this activity; are there no savings achieved by contracting out?

ANSWER: In FY 1985, a trial program to contract for maintenance of short range aids to navigation functions in non-critical waterways will be conducted. Non-critical waterways are waterways that exhibit low risk to national defense, the environment, the public in adjoining areas, or commercial maritime traffic. This trial program is part of a government-wide effort to contract services in the private sector. The Coast Guard anticipates that some contracting of aids to navigation functions is possible and cost effective. Any monetary savings realized will be reflected in future budgets.

ROLES AND MISSIONS STUDY

SENATOR ANDREWS: The Roles and Missions (R&M) study recommended the transfer of vessel traffic services to state and local governments. Last year you indicated that two studies of this were being reviewed by the Office of the Secretary, and three more were in preparation. What are the conclusions of all five, and what action is being taken?

ANSWER: The five individual reports comprise the overall Report of the Coast Guard Task Group on Vessel Traffic Services. The individual reports discussed the feasibility of transferring a particular Vessel Traffic Service (VTS) operation to a state or local government, and if a compelling national need existed for its continuing operation. Each of the reports concluded transfers to non-federal operation could be effected. The reports also concluded there is a compelling national need for continuing operation of Vessel Traffic Services in Prince William Sound, Houston-Galveston, San Francisco, Puget Sound, and New Orleans. Continued development

of a VTS for New York was also recommended. The involved state and local governments have shown no interest in assuming responsibility for Vessel Traffic Service operations. Accordingly, the Coast Guard has recommended to the Secretary that no further action to transfer or close Vessel Traffic Services be pursued, and that the Secretary determine a compelling national need exists for continued operation of each Vessel Traffic Service. Final action on the reports, by the Secretary, is pending.

SENATOR ANDREWS: What have been the major results and savings since implementation of the Towing Policy?

ANSWER: It is too early to determine the major results of implementing the Towing Policy. At present, private sector firms providing non-emergency SAR services have no reporting requirements. There are some indications that increased public awareness of this policy has encouraged organization of some new towing firms. We are closely monitoring this activity.

SENATOR ANDREWS: Explain the increase of $25 million for Headquarters Administration over FY-1983. Also explain why positions have reduced from FY-1983 levels for every Operating Expense category except Headquarters Administration.

ANSWER: In FY-1984 the scope of the Headquarters Administration activity (HA), within the Operating Expense appropriation, was expanded beyond the tabulations of the FY-1983 budget to include additional items of expense that should properly be identified as headquarters administration but were not in that original budget subaccount. The $75,140,000 of FY-1983 funding was increased by the following adjustments within the Operating Expense (OE) appropriation for FY-1984 (consequently debiting other OE subaccounts):

Central billings (medical, postal, FTS, etc.)	$2,400,000
Office Equipment (rental, purchase, maintenance)	5,800,000
Printing	1,700,000
Computer time sharing,etc.	5,100,000
Other (working capital fund, commercial telephone charges, etc)	3,470,000
Subtotal of adjustments between HA accounts for 1983 and 1984	$18,470,000
FY-1984 Budget estimate for HA 1983	+75,140,000
FY-1984 Budget estimate for HA 1984	$93,610,000
FY-1985 Budget Estimate for HA 1984 (includes pay raise supplemental)	$94,625,000
FY-1985 Budget adjustments	+ 5,308,000
FY-1985 Budget estimate for HA 1985	$99,933,000

26 Personnel associated with the above adjustments were allocated on a prorated basis from the regular OE accounts to the HA subaccount.

The $5,308,000 increase in HA and allocation of 10 personnel for FY-1985 is attributable to a further adjustment in central billings and prorated pay increases and cost of living adjustments.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS OBLIGATIONS

SENATOR ANDREWS: Why is there an $8 million reduction in FY 1985 from this year for Marine Safety? Also, why do the FY 1984 obligations increase by more than $20 million from the FY 1983 level? What long-range planning is in place for Marine Safety investments? Was special emphasis placed on this activity this year in response to the Secretary's December 1983 Safety Initiative? If so, provide specific examples.

ANSWER: The obligations are based on projects scheduled for execution in the respective fiscal years. FY 1984 Marine Safety was increased by $4.4 million through the Department of Defense appropriation received under P.L. 98-212, in addition to the AC&I projects already in the DOT Appropriation Act. FY 1983 is based on actual experience. As to long-range planning, all Coast Guard operating and support programs prepare operating and support program plans, respectively, that detail the next 10 years of effort to be followed by that program. General goals and objectives for the commercial vessel safety program range from the desire to facilitate safe waterborne commerce through inspection and regulation of repair and construction activity to maintenance of the quality of the marine environment. The Coast Guard Capital Investment Projection translates goals that require acquisition money into a five-year plan for Acquisition, Construction, and Improvement. The major marine safety program investment being undertaken in the FY 1984-1988 period is construction of the Marine Safety Office in Philadelphia, called MSO Delaware River Basin. The total project will cost about $18.2 million. Special emphasis has been placed on this program, but it is emphasis not requiring acquisition funds. The Coast Guard will continue to represent the interests of national safety at international bodies, such as the International Maritime Organization (IMO), that seek to develop conventions governing vessel safety and operations, crewing, lifesaving, and a multitude of other maritime activities. The Coast Guard is overhauling its inspection training program to enhance professionalism.

SENATOR ANDREWS: Explain the rationale behind the "$50 million budget" in the FY84 Search and Rescue Obligations as compared to the prior and following year. What major one-time investments will be made this year? Are these FY84 acquisitions on schedule, or are they likely to slip into FY85.

ANSWER: The "$50 million budget" is attributable to the additional funding from the FY84 $300 million congressional add-on.

Major one-time investments to be made this year are: Construct Air Station Cape Cod Hangar - $4 million; expand Air Station Boringuen - $1 million; rebuild STA Pensacola - $4.5 million establish Station Venice - $3 million; rebuild Station and Group New York - $1.8 million; expand Station Umpqua River - $2.8; rebuild station Curtis Bay - $2 million, establish Station Crisfield - $2.4 million; Air Station Barbers Point Corrosion Control - Rebuild Station Gulfport - $3 million; Station Humboldt Bay Waterfront Facilities - $1.4 million; PILOC - $16 million, Procure 3 new HC-130's - $55 million; FLAR - $7 million; Harpoon - $11 Million.
The FY84 one-time acquisitions are on time with the exception of Station Gulfport. It will slip into FY85.

SENATOR ANDREWS: How confident are you that the Coast Guard can obligate $563 million this fiscal year (a 25% increase over FY83)? What are the AC&I obligations as of March 30, 1984?

ANSWER: Barring unanticipated delays, we believe that we can obligate $563 million.

AC&I obligations as of March 30, 1984 were $137 million.

MEDIUM ENDURANCE CUTTER PROCUREMENT

SENATOR ANDREWS: The appropriation history (page 76) indicates that $113.7 million was spent in FY1983-4 for "contract costs" for all 13 cutters. What, specifically, were these contract costs beyond the basic ship funding in FY 1977-1982?

ANSWER: The $113.7 million was appropriated for fiscal 1983 and 1984 based on spending estimates at that time. This figure plus prior years carryover of $7.88 million were planned for the following expenditures:

Fiscal Year Category (millions)	1983	1984	Total
. Basic Contract	$ 3.77	$ 1.70	$ 5.47
. Escalation	33.39	32.44	65.83
. Related Costs	25.20	24.86	50.06
. Weapons Retrofit	.22	.00	.22
Total	$62.58	$59.00	$121.58

SENATOR ANDREWS: What "basic contract, related costs" are expected for cutters #1-4 in FY 1985? What equivalent outyear costs are expected for the remaining nine cutters?

ANSWER: Fiscal year 1985 estimate is broken down as follows for ships 1-4:

BASIC CONTRACT

TITLE	COST ESTIMATE
ELECTRO-MAGNETIC INTERFERENCE TESTING	110,000
WARRANTY REPLACE/REPAIR	100,000
COMDAC SOFTWARE EQUIPMENT SUPPORT	10,000
TECHNICAL SERVICES	50,000
STANDARD TERMINALS (CUTTERS 5&6)	300,000
COMDAC SOFTWARE DEVELOPMENT CONTRACT	7,000,000
COMDAC SOFTWARE VERIFICATION & VALIDATION	200,000
COMDAC LAND BASED SYSTEMS MAINTENANCE	85,000
SUB TOTAL	$7,855,000

RELATED COSTS

TITLE	COST ESTIMATE
DEPOT SPARES	4,000,000
PIPELINE SPARES	3,200,000
TRAINING EQUIPMENT AND DEVELOPMENT	249,939
HULL MECHANICAL & ELECTRICAL RETROFIT	1,500,000
SHIPBOARD COMDAC MAINTENANCE	400,000
SUB TOTAL	$9,349,939

WEAPONS RETROFIT TITLE	COST ESTIMATE
ANTENNA IMPEDANCE TESTING (SLQ-32)	150,000
COMDAC OPERATIONAL EVALUATION	750,000
SUB TOTAL	$900,000
TOTAL	$18,104,938*

* Difference due to rounding in budget request.

The following outyear costs are expected for the remaining nine cutters:

Fiscal Year Catagory (millions)	1986	1987	1988	1989	TOTAL
Basic Contract	$ 3.78	$0.27	$0.07	$0.00	$ 4.12
Related Costs	14.41	8.43	3.50	.85	27.19
Weapons Retrofit	0.40	0.40	0.40	0.17	1.37
Total	$18.59	$9.10	$3.97	$1.02	$32.68

SENATOR ANDREWS: What "escalation" costs for cutters #5-13 are necessary? Have escalation costs been incurred for cutters #1-4? If so, in what amounts?

ANSWER: Estimated escalation costs for cutters 5-13 and 1-4 are summarized below.

Fiscal Year	Escalation Estimate (millions) Ships 1-4	Ships 5-13
Prior 1982	$31.1	$ 9.1
1983	11.6	14.9
1984	3.7	27.7
1985		21.6
1986		9.4
1987		7.9
1988		4.0
TOTAL	$46.4	$94.6

SENATOR ANDREWS: Provide the details supporting the $54 million future costs for this procurement.

ANSWER: Future cost estimates are as follows:

Fiscal Year Category (millions)	1986	1987	1988	1989	Total
. Basic Contract	$ 3.78	$ 0.27	$0.07	$0.00	$ 4.12
. Escalation	9.38	7.91	4.03	0.00	21.32
. Related Costs	14.41	8.43	3.50	0.85	27.19
. Weapons Retrofit	0.40	0.40	0.40	0.17	1.37
Total	$27.97	$17.01	$8.00	$1.02	$54.00

SENATOR ANDREWS: What is the current replacement schedule for vessels now that the Coast Guard is taking delivery of the 270' cutters?

ANSWER: The current replacement schedule is:

270 FOOT CUTTER DELIVERY AND REPLACEMENT SCHEDULE

Estimated Replacement Date	Cutter to be Replaced	Estimated Replacement Date	Cutter to be Replaced
OCT 84	CAMPBELL	MAR 87	CITRUS
MAY 85	DUANE	AUG 87	EVERGREEN
SEP 85	BIBB	FEB 88	TAMAROA
DEC 85	INGHAM	MAY 88	CHILULA
JUL 86	TANEY	AUG 88	CHEROKEE
AUG 86	UNIMAK	NOV 88	YOCONA
NOV 86	CLOVER		

SENATOR ANDREWS: When will the CHILULA be replaced, in view of her recent renovations at Portsmouth Support Center?

ANSWER: The recent repairs accomplished at Support Center Portsmouth were designed to prolong CHILULA's useful service life until the scheduled replacement by WMEC-911 in May 1988.

SENATOR ANDREWS: What is the current delivery and destination schedule for the cutters? What law enforcement missions will be increased in South California with the delivery of new cutters?

ANSWER: We plan to homeport cutters 910-913 on the West Coast. These ships would be used for drug and law enforcement, as well as, search and rescue and military operations. The 270-FOOT CUTTER DELIVERY SCHEDULE is shown below.

Cutter	Current Contract Delivery	Contractor's Production Schedule	Homeport
A CLASS - TACOMA BOATBUILDING COMPANY, TACOMA WASHINGTON			
BEAR	25 JAN 83*	25 JAN 83*	PORTSMOUTH, VA
TAMPA	05 DEC 83*	05 DEC 83*	PORTSMOUTH, VA
HARRIET LANE	09 MAY 84*	09 MAY 84*	PORTSMOUTH, VA
NORTHLAND	16 JUL 84	16 JUL 84	PORTSMOUTH, VA
B CLASS - R. E. DERECKTOR, INC., NEWPORT RHODE ISLAND			
SPENCER	18 JUN 84	04 MAR 85	BOSTON, MA[1]
SENECA	14 OCT 84	03 JUN 85	BOSTON, MA[1]
ESCANABA	11 FEB 85	30 SEP 85	BOSTON, MA[1]
TAHOMA	11 JUN 85	30 DEC 85	TBD
WMEC909	09 OCT 85	05 MAY 86	TBD
WMEC910	06 FEB 86	04 AUG 86	TBD
WMEC911	06 JUN 86	03 NOV 86	TBD
WMEC912	04 OCT 86	02 FEB 87	TBD
WMEC913	01 FEB 87	01 JUN 87	TBD

TBD = To be determined * = Actual date
1 = Tentative selection

The assignment of four new 270-foot Medium Endurance cutters to the southern California area will give the Coast Guard an enhanced ability to conduct offshore law enforcement operations. We anticipate that the primary mission of these vessels will be drug interdiction operations in the southern California area.

COMMAND, DISPLAY AND CONTROL SYSTEM (COMDAC)

SENATOR ANDREWS: The new medium endurance cutters (270') will be equipped with a Command, Display and Control System (COMDAC). You testified last year that COMDAC's capability will be for peacetime missions. But you also said the system can be expanded for weapons systems. What weapon systems are envisioned for the medium endurance cutters?

ANSWER: The 270 WMEC is being delivered with the MK 75, 76mm Gun and MK 92 Fire Control system. The AN/SLQ-32 Electronic Surveillance system with Super Rapid Blooming Offboard Chaff is also installed. Space and weight reservations have been made for the HARPOON Antiship missile, MK 15 Close In Weapon System, Tactical Towed Array System and Light Airborne Multipurpose System (LAMPS). A joint Coast Guard and Navy Working Group is presently studying wartime tasking and equipment needed by the 270. The expansion of COMDAC to assist in these wartime missions will be addressed after the 270 Wartime Tasking Study has been approved.

SENATOR ANDREWS: Has the Navy provided a schedule for installation of weapon systems?

ANSWER: Yes. The Coast Guard advises the Navy when each weapon system is required and the Navy provides the equipment to meet our construction schedule.

SENATOR ANDREWS: Is the current estimate for "wartime software costs" still $9 million? Who will pay?

ANSWER: The current estimate remains at $9 million depending upon the weapons provided. Payment will be based upon the Memorandum of Understanding between the Navy and Coast Guard in effect at the time software procurement occurs. This is presently under review.

SENATOR ANDREWS: What is the current schedule for COMDAC "peacetime software" delivery? What is the current cost? Has testing on the software been completed using the 'BEAR' delivered earlier this year?

ANSWER: COMDAC is scheduled to be delivered in two phases. The Preliminary Program Package (PPP) is scheduled for delivery in September 1984. The Final Program Package (FPP) is scheduled for delivery 30 June 1985. The current cost estimate is $21.8 million. Current software cost includes development of an operator training course including instructor training materials. It also includes classroom instruction for the first five operator training classes. The PPP testing is 90% complete and was conducted primarily on the BEAR. Completion of this testing is expected mid-summer 1984. Continued testing will be conducted on a not to interfere with 270' WMEC operations basis.

SENATOR ANDREWS: What is the schedule for building the COMDAC support center at Portsmouth? How will personnel be trained for the thirteen 270' cutters deployed nationwide?

ANSWER: Construction of the COMDAC Support Facility is to begin in July 1984 and to be completed in August 1985.

All COMDAC operators and maintenance personnel will be trained at the COMDAC Support Facility at Portsmouth as part of 270' WMEC pipeline crew training. A complete operator training program is being developed under the software development contract. The hardware, course materials and initial instructor training for COMDAC equipment maintenance will also be provided by separate contract.

SENATOR ANDREWS: There seem to be potential problems converting the 270' cutters in the event of war, such as: training on weapons, timing of conversion and availability of shipyards for conversion. How will you and the Navy plan for this conversion?

ANSWER: The Coast Guard and Navy have recently agreed that the addition of new weapons and sensors at mobilization or during periods of increased international tensions is not practical. If there are any additional systems identified for the 270 by the Coast Guard and Navy, the systems will be installed and trained on in peacetime.

NAVY WEAPONS COSTS

SENATOR ANDREWS: Please outline the costs borne by the Navy, pursuant to your Memorandum of Understanding, both for new Coast Guard vessels and the rehabilitation program. Under what circumstances does the Navy pay for weapons installation and maintenance, as well as materiel?

ANSWER: To ensure the ready integration of Coast Guard units into the Navy in time of war or other contingency, the Navy provides weapon systems, sensors and communications equipment to the Coast Guard. Pursuant to our Memorandum of Agreement, installation costs for these equipments are shared by the Navy and the Coast Guard. The Navy funds the upgrade or replacement of existing equipment whereas the Coast Guard pays for the installation of equipment providing additional capabilities. Once installed aboard cutters and aircraft, the Navy reimburses the Coast Guard on an annual basis for the maintenance of Coast Guard held Navy hardware. The following table shows actual and projected Navy support for FY-1980 through FY-1986. The agreement is in the process of being renegotiated with the Navy and projected support funding may change as a result of this revision.

	Funding Provided ($Millions) FY80-83	Funding Projected 84	85	86
Acquisition	$128.1	42.4	44.0	72.7
Installation/Maintenance	$ 35.0	12.8	24.5	41.3
TOTAL	$163.1	55.2	68.5	114.0

AIREYE

SENATOR ANDREWS: Has the prototype AIREYE airborne sensor been delivered? What is the current schedule for delivery of all six systems? What is the total estimated cost for all six? What future do you see for this or other sensor equipment, either for Falcon jets or C-130's?

ANSWER: The prototype AIREYE system is currently undergoing the final stages of ground testing prior to commencing airborne testing. The system will be airborne tested during May and June, and delivered to the Coast Guard in July 1984. After prototype delivery, the Coast Guard intends to exercise an option in the AIREYE contract for a production run of five additional AIREYE systems. The five production units are deliverable to the Coast Guard 14 months after the option is exercised. The first production unit will be delivered in September 1985, and one unit every other month thereafter (November 85, January 86, March 86, and May 86).

The total cost for all six operational AIREYE systems, with sparing, is $41 million.

The Coast Guard plans to deploy the six units in pairs at Coast

Guard Air Stations Cape Cod MA, Miami FL, and Sacramento CA. These six Falcon jet sensor platforms will greatly improve the Coast Guard's ability to survey the ocean surface for Enforcement of Laws and Treaties (drug interdiction, fisheries), Search and Rescue operations, Marine Environmental Protection, and Domestic Ice Patrols.

The Coast Guard is investigating the feasibility of installing an AIREYE like sensor system on the C-130 aircraft. If such a system is deemed feasible, every effort will be made to retain as much interchangeability between it and the AIREYE system as possible. This would allow a substantial reduction in spare parts inventories, special maintenance tools, and test equipment. However, the proposed C-130 sensor system is in the conceptual stage at this time and no firm information is available.

210-FOOT CUTTER MAINTENANCE

SENATOR ANDREWS: Last year's budget justification (FY 1984) indicated $104 million in future costs for the 210-FOOT MEDIUM ENDURANCE CUTTERS. The justification (page 80) now shows combined FY 1985 and future costs of $115 million. What explains this increase? Why are labor costs requested in FY 1985 for vessels #1-3, when FY 1984 funding provided partial labor funding? Provide a timetable and breakdown of costs for the remainder of this activity, including labor costs per vessel.

ANSWER: The FY 1985 budget was submitted using an assumed inflation rate of 8%.

Partial labor costs requested in FY 1984 were for design and pre-arrival production. Labor costs requested in FY 1985 are for actual costs that will be incurred as vessels enter production at the Coast Guard YARD.

The first vessel enters the YARD on 1 October 1984, and the second enters on 1 April 1985, with the remaining 14 vessels entering at 3 month intervals. The current estimated costs per vessel are $6.25 million labor, $3.75 million material and $.131 million for program support (crew and administrative travel).

SENATOR ANDREWS: Will West Coast Vessels be moved to the Coast Guard Yard, or can maintenance be done by contract?

ANSWER: Present plans call for the MMAs of "A" class 210s being done at the Coast Guard Yard. Therefore, the USCGC CONFIDENCE will be moved to the Coast Guard Yard for its MMA while all other West Coast vessels will be done by contract.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS ADJUSTMENTS

SENATOR ANDREWS: The Secretary responded on March 16, 1984 to the Committee's letter on spending plans for the FY-1984 Defense appropriation of $300 million. In that letter, she recommends that the $33.3 million request for C-130 maintenance be reassigned to maintenance on 378-foot cutters. Please explain the benefits of increasing the 378-foot cutter "FRAM" level (Fleet Renovation and Modernization) from $55.45 million to $88.75 million in FY-1985. Would yards be available before 1986?

ANSWER: The total funding for the FRAM through fiscal year 1985 (including $55.45 million in fiscal year 1985 but not the additional $33.3 million) is $137.59 million. This funding

level is about $9.67 million short of the estimated funds needed to award the initial contract for three (3) cutters and long lead time material for all twelve (12) cutters. Without the additional funds, reprogramming would be required to maintain the production schedule. The production schedule is relatively fixed due to operational constraints, and cannot be accelerated. However, in addition to funding the shortfall, the $33.3 million will allow program planning flexibility and offset outyear budget requirements to continue the FRAM program.

SENATOR ANDREWS: How many vessels will be renovated at the request level ($55.45 million), and at the increased level ($88.75 million)?

ANSWER: The $55 million level funds 1 ship (third cutter of the FRAM program) and includes the line items shown in the budget request. This leaves a cumulative project shortfall of $9.67 million in fiscal year 1985. At the $88.75 million funding level the same items will be funded with the shortfall covered and the remaining $23.63 million will be applied to the fourth FRAM.

SENATOR ANDREWS: Past funding of $151 million averages over $37 million per vessel. Why is the fifth vessel requested at $32 million? What savings have been achieved?

ANSWER: The prior requests are not broken down as a per ship cost. Long lead time materials costs allocated to four cutters were included. Additional costs for USCGC HAMILTON peculiar work were also included. The request for $32 million does not include long lead time materials for that cutter. No real savings have been made.

SENATOR ANDREWS: What escalation costs ($6.4 million) have occurred for cutters 1 and 2? Are escalation costs anticipated for 3 and 4? How can there be escalation charges when page 82 indicates that cutters 1 and 2 enter the yard in June, 1985?

ANSWER: To date no escalation costs have been incurred. Escalation costs will be based on the terms of the contract. Budget figures are our best estimates of escalation costs during the budget year. Escalation costs are expected for the remaining cutters of the FRAM.

SENATOR ANDREWS: What is the $9.8 million shipset request? How many vessels will be equipped?

ANSWER: A shipset is a set of long lead time government furnished materials required for one cutter. The $9.8 million includes shipsets for 8 cutters, cutters 5-12. Major items include hangar, main propulsion console, turbine clutches, and gyro compass.

SENATOR ANDREWS: Why did last year's justification project future costs of only $283 million for this activity?

ANSWER: Projections are based on the next four years. This figure represents a different four year period, fiscal years 1985 - 1989 versus fiscal years 1986 - 1990. In addition, during the past year, we have continued the design process and thus have better information to estimate the remaining project funding requirements.

SHORT-RANGE RECOVERY HELICOPTERS

SENATOR ANDREWS: What is the status of delivery of the shortrange recovery (SRR) helicopters? When was the first helicopter accepted from the contractor, and are you receiving them on schedule? Are all 96 aircraft currently under procurement contract?

ANSWER: The contractor (Aerospatiale Helicopter Corporation) missed the latest contractual delivery date (January 1984) for the first HH-65A. A new contractual date has not been negotiated. We believe the first delivery will occur in the next 3 to 6 months. 90 of the 96 aircraft are currently under procurement contract. The final 6 are expected to be under contract by September 1984.

SENATOR ANDREWS: What type of warranty was negotiated with the contractor on the SRR Helicopters?

ANSWER: The SRR Helicopter contract contains standard provisions safeguarding against defects in material and/or workmanship. In addition, selected Avionics Line Replaceable Units (LRUs) are warranted for a period of 56 months from time of aircraft acceptance by the Government. This warranty includes a provision that the contractor must repair failed LRUs within specific time frames, i.e., 24 hours or 72 hours, or provide the Coast Guard a replacement unit at no charge. There are no other special warranties.

SENATOR ANDREWS: Are the future costs of $13.8 million for estimated contract escalation?

ANSWER: $13.8 million is requested to fund contract escalation ($6.7 million), spares/support ($6.7 million) and ferry/administration ($.4 million) costs for the HH-65A.

SENATOR ANDREWS: What is the FY 1985 flight time estimate for the helicopters.

ANSWER: Each of the HH-65As accepted in FY 1985 will be programmed to fly 800 hours per helicopter annually. Until ongoing negotiations concerning the new delivery date of the first and subsequent HH-65As are complete, an accurate projection of the number of flight hours HH-65As will fly in FY 1985 cannot be provided with confidence. It is currently estimated that as many as 30 HH-65As may be accepted by the end of FY 1985 and that these helicopters will fly up to a combined total of 14,400 hours.

MEDIUM-RANGE RECOVERY HELICOPTERS

SENATOR ANDREWS: What is the plan for the replacement of medium-range recovery (MRR) helicopters? Will you replace the current 37, or procure a different amount? What is the impact of this activity on the procurement of short-range recovery helicopters? Provide for the record a comparison of their missions.

ANSWER: MRR replacement plans are being reevaluated in light of new information. Air Force and Navy recently reversed earlier decisions on long term support for their H-3s. Moreover, Agusta Aircraft of Italy has started production of H-3 parts and Sikorsky Aircraft has granted them license to sell parts directly to H-3 users in the United States. Because previous plans to replace Coast Guard H-3s were based on assumptions of dwindling DOD and commercial support, we are conducting a new H-3 economic service life study to determine how long the Coast Guard can continue to economically operate H-3s under these new support conditions.

Another item under study is the future MRR fleet requirements. We believe that some substitutions of HH-65As for HH-3Fs are possible. We hope to complete these analyses within the next year. The need for additional HH-65As may increase depending on the number of air stations at which they replace H-3s.

A comparison of the operational capabilities of the HH-52A and the HH-3F are provided in the table below.

CATEGORY	HH-3F	HH-52A/HH-65A
Gross Weight	22,050#	8,300#/8,950#
Max Speed	142 KTS	109 kts/150 KTS
Maximum Range	750 N.Mi.	313 N. Mi./415 N. Mi.
Maximum Endurance	6.0 Hrs.	3.3 Hrs./3.7 Hrs.
Sling Hoist Capability	4,000#	1,000#/1,500#
Passenger Capacity	20	6/8

SENATOR ANDREWS: What is the procurement schedule likely to be for the MRR?

ANSWER: In light of new information regarding the continued availability of DOD and commercial support for H-3s the Coast Guard is reevaluating how long it can continue to economically operate the H-3. A revised procurement plan will not be available until this detailed study is complete.

PUBLIC FAMILY HOUSING

SENATOR ANDREWS: Why is the FY 1985 per unit price of family housing ($152 thousand) so much higher than this year's cost ($109 thousand)?

ANSWER: Most of the FY-1985 Family Housing Construction Program is located in the highest housing cost areas of the United States. Comparatively, the construction cost in New York City (Governors Island) is the highest in the country and with the project location on Governors Island, extra cost has to be considered for transporting by barge or ferry boat, contractor equipment, vehicles, material and personnel. Likewise, the same condition applies to Block Island requiring extra transportation costs. Training Center Petaluma, located north of San Francisco, has a higher construction cost generally associated with the San Francisco cost index. Also considered in the estimated cost for all projects is the inflation factor, based on an assumed yearly escalation rate, from the time the cost estimate was prepared until the midpoint of construction.

SENATOR ANDREWS: What has been obligated to date this fiscal year?

ANSWER: Of the $7,174,000 appropriated for Public Family Housing in FY 84, $1,380,000 has been obligated to date.

SENATOR ANDREWS: What will be the square foot costs for Coast Guard housing in each of the five areas requested on page 99? How does that cost compare to residential real estate cost in each area? How does Coast Guard family housing cost compare to DOD equivalent costs?

ANSWER: Below is the comparative square foot costs.

FAMILY HOUSING COMPARATIVE COST

		COAST GUARD[a]	RES. REAL ESTATE[b]	EQUIVALENT DOD
1.	Sta. Block Island, RI	$132[c]	$123-153	*[d]
2.	Sta. Cape Disappointment, WA	$ 73	$ 67- 80	$71
3.	Sta. Milford Haven, VA	$ 54[c]	$ 49- 60	$64
4.	Training Center Petaluma, CA	$ 84	$ 85-105	$84
5.	Support Center, New York	$142	$148-180	*[d]

*[a]Square foot costs include furnishings. The estimated cost for Support Center New York (Governors Island) also includes barge/ferry transportation cost, demolition, construction of basements and carports, and personnel relocation costs.
*[b]Square foot costs include cost of property. Coast Guard and DOD costs do not.
*[c]Cost of acquisition, not construction.
*[d]No equivalent DOD cost available.

SENATOR ANDREWS: Why does the fiscal year 1985 "three part list" reflect a Coast Guard initiated revision from $5,768,000 to the budget request of $15,700,000.

ANSWER: The increase of $9,932,000 provides for the construction of public family housing at Support Center New York, Governors Island, New York. The opportrunity to add this high priority project to the fiscal year 1985 budget was created by the advent of the $300 million fiscal year 1984 Defense Appropriation last fall. The configuration of the $300 million program resulted in the acceleration of several projects from the fiscal year 1985 OMB stage budget. This adjustment allowed "room" within the Coast Guard's fiscal year 1985 request for the increase in the Public Family Housing program.

SENATOR ANDREWS: What amount of joint construction, with DoD or other Government agencies, has Coast Guard engaged in each year since 1979? What savings have resulted?

ANSWER: One project was undertaken under an Army contract at Fort Belvoir in 1978-79. The project cost of $2,049,000 for 44 units leads to a speculative conclusion, based on comparable Coast Guard construction elsewhere that year, that savings of $4,000 -5,000 per unit were realized. No other joint construction opportunities have since arisen.

SENATOR ANDREWS: What is the total number and average age of Coast Guard family housing? Do personnel pay rent for housing? If so, how is rent calculated and where do rental reimbursements show up in the budget?

ANSWER: The Coast Guard now operates a total of 4,631 family housing units, approximately 45 percent of which were acquired from DoD between 1967 and 1975. Largely because of these units and the smaller group of light station quarters dating from the early 1800s, the average age of Coast Guard quarters is 27 years. Coast Guard members, like other military personnel, forfeit their Housing Allowance (Basic Allowance for Quarters) when occupying adequate public quarters. Hence, "rental reimbursements" do not show up directly in the budget.

SENATOR ANDREWS: What cost benefit analysis has been conducted on Coast Guard funding of housing versus providing a housing allowance for personnel?

ANSWER: Every Coast Guard housing acquisition proposal includes economic analysis to determine relative economic benefits associated with known housing alternatives - new or jointly constructed housing, use of housing allowances, transfer or permitted use of DoD quarters, etc. This analysis is routinely performed on a project basis. Program direction regards use of housing allowances for private housing units as the primary source of family housing. A needs analysis addresses the sufficiency of the local housing supply. Hence, housing acquisition is proposed only in those areas where the private sector is (or soon will be) unable to supply sufficient adequate units.

ALTERATION OF BRIDGES

SENATOR ANDREWS: A footnote on page 116 of the justification indicates that the Commandant may redirect funds if bridge projects are delayed. Are there delays associated with work on the Burlington Northern Bridge over the Willamette River in Oregon?

ANSWER: There are no delays in the engineering design phase of the Burlington Northern Bridge project. The design work is scheduled to be completed in November 1984.

SENATOR ANDREWS: Why does the budget indicate that only $1.8 million has previously been made available for this project when the Conferees provided an additional $1.2 million in FY 1984?

ANSWER: The budget should have indicated a total of $3.0 million previously appropriated to include both the $1.8 million appropriated in FY 1983 and the $1.2 million appropriated in FY 1984.

RESERVE TRAINING

SENATOR ANDREWS: Last year's budget identified an "early-response mobilization requirement" of 22,000 reservists. The Ready Reserve totals 17,500 of which 12,000 are Selected Reserve. When and how was the requirement of 22,000 identified? Why is it necessary to increase the Selected Reserve to 12,500?

ANSWER: The requirement for 22,000 early response, Ready Reserve mobilization personnel was established in 1967 through a headquarters staffing study based on the expansion of Coast Guard statutory and military taskings during war. Marginal changes in these requirements were continually made through 1980, at which time a new planning system was initiated.

The most critical 15,500 of these early response requirements must be met by Selected Reservists whose skills, reliability and unit organization are essential for the billets they'll fill in support of U.S. strategic mobility. At its current strength of 12,000, the Selected Reserve is 3,500 short of its 15,500 requirement. This increase of 500 will reduce this shortfall. It should be noted that the entire question of Reserve requirements is under review, but the increase requested would be required under any foreseeable revision of current requirements.

SENATOR ANDREWS: Isn't a report underway on reserve strength needs?

ANSWER: Yes, we have instituted a revised readiness planning system which will provide a continuing assessment of reserve mobilization requirements based on field commander information.

SENATOR ANDREWS: Under what circumstances and how frequently have inactive status reservists been mobilized? Does the Coast Guard view the standby reserves as an adequate backup to achieve a reservist level close to the "requirement" of 22,000?

ANSWER: The Coast Guard Reserve was mobilized in World War II. More than 2,500 reservists were voluntarily called to active duty to serve in the Korean War. Reservists also served in Viet Nam, but no reserve components were mobilized for that War.

Under the authority of 14 USC 712, Coast Guard Reservists have been involuntarily recalled for active duty on two occasions. More than 100 reservists were recalled involuntarily in 1973 for assistance to Midwest flood victims and over 1,200 were involuntarily recalled in 1980 to assist in our response to the Cuban exodus. Coast Guard Reservists are also voluntarily recalled frequently by district commanders for local emergencies and, in response to active duty unit commanding officers, perform normal training duties in such a way that they continually assist with routine and peak-load Coast Guard peacetime functions.

The Standby Reserve is not an appropriate source for the 22,000 early response requirements. They receive no training and many are not even qualified for recall to active duty; for those who are qualified, Congressional authority must be obtained under 10 USC 672. If available, they will be used to fill requirements that occur a month or more after mobilization.

SENATOR ANDREWS: Why does the budget (page 132) show a 93% increase over FY 1983 in initial training days when standby reserve and individual ready reserve estimates are decreased from the FY 1983 level?

ANSWER: Initial training, which is for new members of the Selected Reserve, has no relation to the Standby Reserve and Individual Ready Reserve. We have very little control over the strength of these latter two components. Our estimates of their strength are based primarily on projections of numbers of active duty and reserve component personnel who will complete obligations and transfer into these categories during the year.

SENATOR ANDREWS: How does this relationship between requirements and Ready/Standby reservists compare to the other services? Please provide a comparison for the record.

ANSWER: The Coast Guard's plans for use of its Standby Reserve are essentially the same as those of the other Armed Forces; they are not currently training or immediately available and many of them will not be available even when Congressional authority is provided. They will be used primarily for late-response (more than one month after mobilization), and replacements as they become available. Individual Ready Reservists (IRR) are more immediately available than Standby Reservists but other services do not assign them to requirements that need to be filled prior to one month after mobilization except to fill Selected Reserve vacancies or replace casualties.

The following table compares relationships between the Armed Forces and their reserve categories.

	1984 Wartime Rqmnts.(1)	1984 Strengths Selected Reserve(2)	IRR(3)	Standby Reserve(3)
Coast Guard	22,000	12,000	5,000	1,022
Army Nat'l Guard	468,200	425,000	10,000	none
Army	300,100	273,700	246,400	263
Navy	120,500	112,600	70,300	10,522
Marine Corps	41,900	40,300	46,500	2,159
Air Force	58,500	68,600	42,900	28,335

(1) Excludes requirements for Individual Mobilization Augmentees.
(2) FY 1984 Authorizations.
(3) Approximate strengths as of 31 December 1983.

SENATOR ANDREWS: Why do costs for Administration increase 10% over FY 1983? Is this increase associated with the requested increase in Selected Reserve?

ANSWER: Twenty-three percent of the increased administration costs are for the increase in the Selected Reserve. The remaining $674 thousand is for pay raises and cost-of-living increases.

SENATOR ANDREWS: The Subcommittee has been informed that the Coast Guard "has received unexpected new tasking which will require overseas deployment." What is this overseas mission? Which overseas ports would the Coast Guard have responsibility for?

ANSWER: The Coast Guard has traditionally been tasked with some overseas search-and-rescue and port safety and security functions. We are discussing with the Navy and Army component commanders of the U.S. Central Command, the employment of Coast Guard forces in Aids to Navigation and Port Safety and Security.

The U.S. Central Command's area of responsibility is Southwest Asia. The specific listing of ports to which forces may be deployed is classified.

SENATOR ANDREWS: With more Selected Reservists involved in augmentation training at Coast Guard units, what level of Operating Expense savings could be realized in FY 1985?

ANSWER: As the Coast Guard moves to a Selected Reserve of 12,500 from 12,000, a large amount of the training time of the new Reservists will be taken up by initial training, the basic training required for these personnel to do his/her job. Most of these new personnel will not be qualified to perform augmentation assignments in FY-1985 and initially will cause a training workload increase for regular personnel at units being augmented. In addition to augmentation training, the Reservists will also spend a significant amount of time in formal training in their mobilization billets. While these Reservists do offer some relief to crews of our stations, this relief is primarily limited to one weekend per month distributed over many units. This workload augmentation does not permit the full time replacement of regular personnel. There is, therefore, no Operating Expenses reduction to be realized as a result of these additional Reservists.

RESERVE STRENGTH

SENATOR ANDREWS: Last year, you testified that you were developing improved mobilization plans. Are they completed? What is the resulting impact on the requirement of 22,000 Reservists?

ANSWER: The new plans will not be completed before June 1984. Future reserve requirements will be based on analysis of these plans. At this time, we have no basis for expecting the total requirement for reservists to fall below 22,000 as a result of these plans.

SENATOR ANDREWS: How many drills will be conducted during fiscal year 1984?

ANSWER: Approximately 500,000.

SENATOR ANDREWS: Has reserve recruiting improved? What percentage of women reservists was realized for 1983?

ANSWER: Reserve recruiting has improved during fiscal year 1984. So far we have recruited 741 reservists, a forty-four percent improvement over the same period last year.

In fiscal year 1983, 171 women reservists were recruited (12.3 percent of all new accessions). At the end of the year, the Selected Reserve was 7.9 percent women.

MOBILIZATION

SENATOR ANDREWS: The Subcommittee understands that for more than a year negotiations have been pending on a Memorandum of Understanding between the Maritime Administration and the Coast Guard for Port responsibilities in an emergency. Is this still unresolved? If so, what is the problem and what plans are underway to complete the MOU?

ANSWER: The ad hoc Port Readiness Working Group (PRWG) was assembled by the Military Traffic Management Command (MTMG) and Coast Guard in June 1983 to enhance coordination and cooperation among several Federal agencies involved in port readiness in the event of mobilization or a national defense contingency. The members of the PRWG are: the Maritime Administration, MTMG, Coast Guard, U.S. Army Corps of Engineers, U.S. Military Sealift Command, and U.S. Naval Control of Shipping. A draft MOU is currently being staffed through each member agency. Signing of the MOU is anticipated in June 1984.

MARINE SAFETY - RESEARCH

SENATOR ANDREWS: The marine safety research category has shifted from $7.4 million in FY 1982, down to less than $3 million in FY 1983 and almost double that in FY 1985. What long-range planning is at work for this important research category?

ANSWER: Marine Safety work in FY 1983 included only one project. R&D Center work was curtailed temporarily at that time due to reduced staff. FY 1984-85 includes resumption of fire protection and Ship Structure Committee efforts. Research areas planned for future work include marine structural safety, human/machine safety, and crew and passenger safety around marine hazardous cargoes.

SENATOR ANDREWS: The National Transportation Safety Board indicated that Coast Guard statistics for alcohol-related boating fatalities are deficient. What research is being conducted in this area?

ANSWER: The sources of the boating accident statistics compiled by the Coast Guard are Boating Accident Report forms, normally filled out by the public, and reports of investigations

prepared by Coast Guard, state or local officers, generally only in cases of fatalities. Under the National Marine Casualty Reporting System states submit reports to the Coast Guard. Improvements in boating accident investigations hold the greatest promise of capturing meaningful data on the involvement of alcohol. Increased state investigation of boating accidents is being encouraged. The Coast Guard is working with the National Association of State Boating Law Administrators to develop a standard boating accident investigation report, and to identify or develop training courses for investigators. Additionally, appropriate alcohol data elements will be included in the Boating Accident Report form.

RESEARCH ADMINISTRATION

SENATOR ANDREWS: 40% of the FY 1985 research request is to be directed to administration. Why is this activity increased over the last 3 years?

ANSWER: Administration includes the costs of all in-house project officers, management and support staff. The 16% increase from FY 1982 to 1985 was primarily due to decreasing civilian vacancy (lapse) rate and inflation.

SENATOR ANDREWS: Provide a comparison of research personnel for FY 1982-1985 as well as percentage and dollars of contracting out.

ANSWER:

	1982	1983	1984	1985
R&D authorized personnel	195	195	195	195
Commercial contracts ($ thousands)	5828	5045	6568	6816
Contracts as % of project budget	58	41	48	48

The large contract percentage in FY 1982 was prompted by a high vacancy rate at the Coast Guard R&D Center. Many civilians, fearing a reduction in force, left the Center for other employment.

COMMAND AND CONTROL INFORMATION SYSTEM

SENATOR ANDREWS: The Transportation Systems Center estimated last year that savings perhaps as high as $85 million could be realized by this Command and Control Information System intended to streamline Coast Guard manpower and materiel. What is your plan to implement this system? Why did Dr. Constantino of the TSC think it will take until 1993 to complete this project?

ANSWER: Because of its immense complexity, the ultimate objective of this project, an integrated command and control system for multi-mission use, will not be achieved until the year 2000. Early results of the project, logical models and test beds for specific Coast Guard missions, are already in use by program managers. Interim efforts will continue to generate substantial payoffs for mission implementation throughout the life of the project, though actual cost savings and avoidance have not been determined at this time.

SENATOR ANDREWS: Where is the system now in use and what savings have occurred?

ANSWER: A command and control test bed is partially implemented at Group Hampton Roads and is being used in daily

search and rescue and law enforcement missions. Technical and operational evaluation will not be completed until the test bed development is completed, presently scheduled for December 1985. Information on savings and cost avoidance potential is not yet available.

RESEARCH - AIDS TO NAVIGATION

SENATOR ANDREWS: More than $3 million has been spent since FY 1980 on short range aids to navigation. The request for 1985 represents a doubling over FY 1983. Yet last year's and this year's justification (page 151) indicate the last of quantitative performance measures for these aids. When will the Coast Guard complete development of improved aid standards and positioning information? When will these standards be disseminated and/or implemented? What will be the total cost of this research effort?

ANSWER: The Coast Guard plans to complete development of improved aid standards in FY 1988. This is a moderate to high risk project, thus implementation is dependent upon successful development. The automated positioning project is expected to be completed in FY 1986. It is estimated that future costs will approximate an additional $800 thousand.

SENATOR ANDREWS: What will be the effect of this research if and when private contractors perform maintenance of aids to navigation?

ANSWER: This research is needed to maximize savings and effectiveness, with or without contract maintenance. The Aids to Navigation System Design Manual would make the transition to a private contractor smoother. If private contractors perform maintenance, the value of this project remains the same. The manual will formalize guidelines for design of aids to navigation as a system (i.e., arrangement of aids, characteristics of individual aids). There are no hard and fast rules now available to system designers. Each system designer bases aid designs on past experience, public desire, and user input.

QUESTION: Is the Government's exposure to accident liability because of inaccurate aid systems a serious problem? How much litigation has there been in this area over the past several years?

ANSWER: There are presently 65 active litigation cases for a total of $460 million. One of these cases is for $365 million. Since 1981, final dispostion was reached in a total of 47 cases. Payment of approximately $680 thousand was made in 16 cases. In the remaining 31 cases, the U. S. prevailed.

ADVANCED SHIPS

SENATOR ANDREWS: Please provide a summary of your latest assessments of advanced marine vehicles, Small Waterplane Area Twin Hull (SWATH), Air Cushion Vehicles (ACV), and rigid hull inflatables.

ANSWER: Our field tests and analyses to date have shown that:

SWATHs are exceptionally stable, with seakeeping comparable to vessels many times their size. They offer large deck areas for helicopter operations and other at-sea tasks. We think SWATHs have great potential for a number of missions that range from patrols to buoy tending.

ACVs were tested for icebreaking and search and rescue in ice-laden waters. Ice and debris damage to the flexible seals of the ACV is a critical shortcoming for CG use.

Rigid Hull Inflatables offer good visibility of persons and objects in the water, and the ability for pulling persons from the water. It also is capable of relatively high speeds.

Surface Effect Ships have great promise for the Coast Guard where calm-water speed is important.

Surface Piercing Hydrofoils with automated ride control and diesel powering showed good fuel efficiency and ride quality.

Our R&D program will continue to uncover the operational advantages and disadvantages of these and other advanced craft.

SENATOR ANDREWS: Identify the current and/or potential applications of these vehicles to the Coast Guard's missions, the cost to procure and manufacturers involved in their development.

ANSWER: Current advanced marine vehicles in use include 3 Surface Effect Ships (SESs) in Key West, Florida. These craft are involved primarily in drug interdiction. Potential applications for advanced vehicles include all Coast Guard mission areas. The primary emphasis is search and rescue and law enforcement for the 100-200 ton size range. Larger vehicles may be selected for buoy tending and possibly employed as medium/high endurance cutters.

Estimated procurement cost per vessel is as follows:

Small Waterplane Area Twin Hull(SWATH)(170 tons)	- $12 million
Air Cushion Vehicle (ACV) (40 tons)	- $4 million
SES (125 tons)	- $5 million
Surface-Piercing (S-P) Hydrofoil (100 tons)	- $8 million
Rigid Hull Inflatable	- $30 thousand

Current Manufacturers:

SWATH - RMI Corp. (U.S.A.), Lockheed (U.S.A.), Mitsui (Japan)
ACV - Bell Aerospace (U.S.A.), British Hovercraft (U.K.)
SES - Bell-Halter (U.S.A.), Vosper Hovermarine (U.K.)
S-P Hydrofoil - Rodriquez (Italy)
Rigid Hull Inflatable - Avon (U.K.), Osborne (U.K.), Lucas (Canada)

SENATOR ANDREWS: Are there plans to procure more than 3 Surface Effect Ships (SES)?

ANSWER: There are no plans at present to procure additional Surface Effect Ships. The Coast Guard is still evaluating the ships it already has in a joint R&D effort with the Navy.

SURFACE EFFECT SHIPS

SENATOR ANDREWS: Where are the three Surface Effect Ships (SES) assigned and for what missions?

ANSWER: The SESs presently operate out of Key West, Florida, and are assigned primary missions of Enforcement of Laws & Treaties (ELT) and Search & Rescue (SAR).

SENATOR ANDREWS: The Navy and Coast Guard were exploring the "stretch" SES (50 additional feet) to address refueling problems. What came of this review? Are there funds requested for SES vessels in the FY 1985 budget?

ANSWER: The Navy has offered the Coast Guard use of its 160-foot "stretch" SES, the SES-200, commencing in early FY 1985. This will allow a good comparison to be made between the 110-foot craft we have now and the 160-foot version. Additional funds have not been requested in the FY 1985 budget for SESs.

SENATOR ANDREWS: How much is included in the FY 1984 and 1985 budgets for support to operate the three SES?

ANSWER: $3.4 million and 43 military personnel were included in the FY 1984 budget to complete SES support. No additional funds or personnel are required in FY 1985.

DRUG AND ALCOHOL PROGRAM

SENATOR ANDREWS: Please define the Coast Guard program to combat drug and alcohol abuse.

ANSWER: Our primary means of deterring drug and alcohol abuse is education. Drug and alcohol program representatives, stationed at each district headquarters and at major commands, conduct awareness training at our units as a part of their duties. This effort, together with improved detection techniques, is expected to decrease the incidence of substance abuse in the Coast Guard.

The Coast Guard's urinalysis testing program, implemented in March 1983, is one tool for detecting and deterring drug abuse in addition to administrative inspections, detection dogs and other methods. Screening tests are conducted randomly within the general population and are mandatory for all recruits, cadets, officer candidates and selectees for training in a rate. Confirmatory tests are conducted on positively screened samples at contract laboratories.

Members E-6 and below confirmed by urinalysis as first time users may be retained in the service on the recommendation of the commanding officer. Traffickers, more senior members and repeat users are ordinarily discharged. Disciplinary action may also be taken at the commanding officer's discretion.

A drunken driving directive was published in March 1984. Military members, retirees, dependents, civilian employees and others with driving and parking privileges on Coast Guard installations are subject to suspension of those privileges for one year on military or civil conviction for intoxicated driving (by alcohol or other substances), and for two years on a second incident. Active duty members convicted of intoxicated driving are required to be screened to determine the extent of their substance abuse for directing appropriate education and rehabilitation. Commanding officers are required to implement local awareness programs on intoxicated driving.

CHILD AND SPOUSE ABUSE PROGRAM

SENATOR ANDREWS: How many people are assigned to the Family Advocacy Program?

ANSWER: The following personnel have been assigned to the Family Advocacy Program:

Headquarters:		3 Personnel
LTJG (O-4)	1	
YNC (O-2)	1	
GS-4 (E-7)	1	
District Offices/Major Commands		11 Personnel
LTJG (O-2)	1	
GS-11	1	
GS-9	9	
Field Units (Collateral duty)		50 Personnel

SENATOR ANDREWS: What is being spent to combat child and spouse abuse this fiscal year (1984), as compared to actuals for last year and your FY 1985 request?

ANSWER: One million dollars is being spent in FY 1984. Half of that is being spent on the program, the other half to support the increase in staffing approved this year.

Total spending to date and for FY 1984 and FY 1985 (less personnel costs):

FY 1982	$100,000 (received from DOD)
FY 1983	$500,000
FY 1984	$500,000
FY 1985	$500,000

SENATOR ANDREWS: What effect has this program had?

ANSWER: The Family Advocacy Program was officially inaugurated in April 1983. The primary effect since then has been educational; our members are much more aware of the problems of family violence and are much more sensitive to the stresses on family life that the Coast Guard lifestyle sometimes imposes. Our families, in turn, have learned more about the military lifestyle and the Coast Guard's missions through a Family Programs publication "Charting Your Life in the U. S. Coast Guard". Over 15,000 copies have been distributed since August 1983. As a result our members are more willing to seek help with marital, financial, and medical problems for themselves and their families.

We are establishing resource libraries in District Offices and major commands consisting of periodicals, books, and films to be used with local family support programs.

Lastly, we are providing intervention and treatment for serious abuse cases within the Coast Guard at both military and private facilities, and are working continuously to develop and improve working relationships with Federal, State, local and public and private agencies and groups to enhance the degree of care and concern given to victims of child and spouse abuse.

SENATOR ANDREWS: Have family counselors been assigned to each major Coast Guard center, as directed in last year's Senate Report?

ANSWER: Fourteen billets have been assigned to major Coast Guard centers. Six centers do not have billets assigned at this time.

ENLISTMENTS

SENATOR ANDREWS: You had projected FY 1983 enlistments at 6,168. What was the actual figure, and what is expected for FY 1984? Compare enlistment rates with offsetting releases from active duty for these years.

ANSWER: In FY 1983, the Coast Guard enlisted 6,226 individuals and we expect to enlist 5,018 in FY 1984. In FY 1983, there were 5,382 releases from active duty and we expect 5,501 releases from active duty in FY 1984.

RECREATIONAL BOATING SAFETY

SENATOR ANDREWS: Why does the budget request appropriations language to rescind contract authority for recreational boating facilities (as opposed to authorizing committee)?

ANSWER: The authorization language indicates that financial assistance for State recreational boating safety and facilities improvement programs is to be expended subject to amounts provided in appropriations laws for liquidating contract authority. Therefore, we believe that the appropriation process is the proper vehicle for proposing rescission.

SENATOR ANDREWS: Has the Administration proposed a change to the motorboat fuels tax since balances in this account average $30 million yearly?

ANSWER: The Coast Guard is not aware of any new proposals to change the motorboat fuels tax. The Surface Transportation Assistance Act (P.L. 97-424) increased the tax from 4¢ per gallon to its present rate of 9¢ per gallon.

SENATOR ANDREWS: Explain the rationale behind the increase from $12.5 million in the past two years to $15 million in FY 1985?

ANSWER: The final amount appropriated in fiscal year 1983, the first year of funding, was $12.5 million. The Administration requested the full $15 million authorized for boating safety for both FY 1984 and FY 1985. However, of the amount requested for FY 1984 only $12.5 million was appropriated.

SENATOR ANDREWS: In your opinion, are any States having difficulty meeting the matching requirements for these grants?

ANSWER: Nebraska, South Dakota, Vermont and the Virgin Islands with shortfalls of $23,000, $1,000, $2,000, and $53,000 respectively, did not fully meet the matching share requirement in FY83. The reason may be attributed to States and Territories completing action on their fiscal year spending authority prior to being advised of the amount of their FY83 allocation. Guam did not apply for assistance in FY83. Public Law 96-205 exempts American Samoa and the Northern Mariana Islands from the matching share requirement. Considering the number of boats registered in these Territories, we are currently searching for a method of determining the amount to be allocated to each which will be equitable to all eligible participants.

SENATOR ANDREWS: Section 6 of the House-Passed Coast Guard Authorization Bill, H.R. 4841, contains authority for the Secretary to transfer up to 5% of appropriated

Operating Expenses or Acquisition, Construction, and Improvements funds to other Coast Guard accounts. We, of course, will be discussing this bill in the Senate. However, in the event such authority is enacted, the Committee would like the Commandant's assurances now that the exercise of such authority would only be in the most EXTREME case of "National Interest" (Bill page 4, line 13), and as always the Coast Guard will submit requests to this Committee to reprogram appropriated funds.

ANSWER: It has long been the Coast Guard practice to consult Congressional committees and inform them on any action of particular interest to those committees. More importantly than that the Coast Guard, historically, has not taken any action that was not in the best interest of the country.

SENATOR ANDREWS: Testimony has been received by the subcommittee regarding research into digitalized voice communications. Please provide a summary of funds spent and research results of work to date in this area. What future research does the Coast Guard feel is appropriate? What arrangements would be necessary to ensure compatibility with the Navy in the event of Coast Guard using digitalized voice communications?

ANSWER: $382,000 is being spent for research in the area of digitalized voice communications through the end of FY 1984. Projects include:

- Compilation of a reference book for Coast Guard program managers which summarizes the operation, advantages, disadvantages, limitations, future trends, etc., of currently available (or soon to be available) communications technologies, including several digital techniques. ($2,000)

- A test bed evaluation of ten vessels equipped with digital communications terminals, as part of the multi-mission command and control project. Results to date are very promising for service use. Interest in the field is high. ($300,000)

- A preliminary investigation of speech synthesis and speech recognition. We found that although speech synthesis may be of use in the near future, the state of the art has not advanced sufficiently for Morse code transcription or speech recognition by a computer. ($80,000)

In the area of future research, we are investigating possible Coast Guard applications of an experimental mobile satellite communications system, presently being developed by NASA, which will use digital communications techniques. We plan to develop a prototype shipboard terminal to communicate with a data link installed on an HH-65A helicopter.

The following systems are planned or in the process of being acquired to ensure Navy compatibility:

- Automatic Secure Voice Communications (AUTOSEVOCOM) Telephone. The planned upgrades include world-wide AUTOSEVOCOM (wide band) at Coast Guard Headquarters, continental U.S. (CONUS) to Europe and the Caribbean at Coast Guard Atlantic Area (New York), CONUS to the Pacific at CG Pacific Area (San Francisco), CONUS to the Caribbean at Seventh Coast Guard District (Miami), and intra-CONUS at the other Coast Guard Districts.

- Secure Telephone Unit (STU-II). Connectivity will be from Headquarters, Area commands and Districts to Groups, Captains-of-

the-Ports, Air Stations, Communications Stations and other selected units.

- Advanced Narrow Band Digital Voice Terminal (ANDVT). This is a long-range system to be used with Tri-Service Tactical (TRITAC) Communications on vessels, aircraft and land mobile units.

- Digitized secure UHF/VHF short-range voice communications on ships and aircraft for interoperability with TRITAC.

- Digital Encryption Standard (DES) VHF short-range tactical "hand-held" system. These radios are used in Captain-of-the-Port operations with the Navy's Military Sealift Command and the Army's Military Transportation Management Command.

SENATOR ANDREWS: What is the latest estimate of funding needed to establish a deployed facility for search and rescue and enforcement of fisheries laws at Dutch Harbor, Alaska? Provide an estimate (or range) of time and funds needed to locate an air station capable of receiving C-130 aircraft. Provide a specific estimate for FY-1985 for survey, design and site acquisition work.

ANSWER: We are presently studying this issue and determining the concept of operations of any new rescue facility in the Aleutians. Therefore, it is premature to attempt to provide accurate estimates of any of these costs. A very preliminary estimate is that the construction cost will be about 60 to 100 million dollars. The amount for FY-1985 would be 14 or 16 million dollars for Land Acquisition and Facility Design. The cost of each of the three alternative operating concepts being considered varies according to the type and amount of construction required, the mode of personnel assignment selected to meet the operating concept, and the availability of existing facilities.

The current flight situation at Dutch Harbor is tenuous at best from a safety point of view. The runway is a narrow gravel strip along the base of a 1648 foot mountain. This allows a twenty foot wing tip clearance from the centerline, for an HC-130 aircraft. This strip is unlighted and does not have an electronic landing system. Thus C-130 flight operations are only possible during daylight VFR conditions with favorable winds. Weather is notoriously adverse. These factors also affect helicopter operations. Airport improvements are not within the purview of the Coast Guard and are not included in the Rough Cost Estimate. Even if a helicopter station were to be established, C-130 flights would be required for logistics.

Questions Submitted by Senator Chiles

RESERVE TRAINING

SENATOR CHILES: Your budget (p. 129) shows a $2.5 million increase for reserve training which will permit an increase of 500 positions for the Selected Reserve. This provides for a Coast Guard Selected Reserve at 57% of your estimated war-time requirements and compares to a Selected Reserve capability of over 80% in the other Armed Forces. The full war-time requirements are based on staffing analysis of the tasks given to the Coast Guard by the Joint Chiefs and the Navy. I understand a Coast Guard re-evaluation or study has been underway for 2 years regarding how many would be required to meet 100% of the war-time requirements. What is your current estimate of your personnel needs to meet a war-time situation and what adjustments do you expect to be made in this estimate, based on the study now underway?

ANSWER: Only $1.5 million of the requested increase is requested for the Selected Reserve growth.

Our current estimate is 22,000 early response mobilization personnel including 15,500 Selected Reservists. From what we have learned so far from the study now underway, we see no reduction in these requirements. Some adjustments are expected in numbers of reservists required in certain ports and in certain tasks.

SENATOR CHILES: The other branches of the Armed Forces are constantly updating their war-time reserve requirements. Why doesn't the Coast Guard have this analysis constantly updated and why has is already taken two years for a study still not complete?

ANSWER: Coast Guard requirements are continually updated to reflect changes in taskings and active service force structure. Such changes, however, have relatively less effect on Coast Guard Reserve requirements than the other services since most of our requirements support the nation's relatively stable strategic mobility in U. S. ports. Also, reserve requirements on cutters are directly related to the number and classes of vessels in the Coast Guard fleet, which have been relatively constant.

The new planning system will respond to force structure and tasking changes as did the former, but it will also reflect more specific adjustments and plans of our district and unit commanders.

The length of the study is due to its complexity and magnitude and a revised concept of operations to enhance our readiness and to reflect new overseas tasking. Included in factors requiring complete revision of plans are the Commander, Coast Guard Forces concept, the rapid deployment concept and the newly instituted U.S. Maritime Defense Zone role for the Coast Guard.

SENATOR CHILES: The Subcommittee has been informed that the Coast Guard is projecting a 1984 end-of-year strength of 12,350 for the Selected Reserve. If the Congress does not provide the funding needed to go above 12,000 positions, what course of action will you follow? Will you RIF the people or reduce the amount spent on training? Why have you already gone above the 12,000 personnel level when you have a funding request in for this purpose?

ANSWER: Coast Guard Reserve strength was 12,341 on April 30, 1984. The overage of 341 is within our normal range of fluctuations of strength and is the result of improved retention and momentum from an earlier recruiting effort necessitated by a shortage. The overage is favorable since we anticipate a fiscal year 1985 increased authorization.

If funding for the increase were not provided, we would have to reduce force size and adjust training and exercise schedules, all of which would significantly impact our ability to meet our national contingency responsibilities.

FISHERY ENFORCEMENT

SENATOR CHILES: I noticed (budget justification, p. 26) that your cutter operating hours for fisheries enforcement will increase 43% in 2 years and your aircraft operations associated with fisheries enforcement will increase by a similar amount. The extra cost associated with 22,000 additional cutter hours and nearly 3,000 additional aircraft operating hours is significant. The statistics for boarding, seizures and citations and several penalty actions show little change from year to year. Is the additional cost associated with increased fisheries enforcement really worth the effort or should we transfer these resources to another area where they can have a greater impact?

ANSWER: Commercial fishing activity continues at a high level in the U.S. Exclusive Economic Zone (EEZ). The evolution of multilateral agreements, the Magnuson Fisheries Conservation and Management Act (MFCMA) and the EEZ were driven by studies supporting historical findings which show that without an aggressive enforcement program our valuable fisheries resources are subject to serious depredation. Enforcement presence and the effect of deterrence are important factors in determination of cost effectiveness, in addition to statistics. Aircraft and cutters are assigned and utilized according to the operational commanders needs and priorities. The multi-mission nature of these resources provides flexibility for redistribution.

FISHERIES LOAN FUND

SENATOR CHILES: Admiral, I noticed that the Coast Guard is proposing to finance $44,941,000 of its Operating Expenses requirements by transferring that amount of money from the Fisheries Loan Fund. The Fisheries Loan Fund was established by the Fisheries Management and Conservation Act and the source of revenues are the fees charged foreign fishermen who fish within the 200-mile coastal waters of the United States. The legislative history behind the Fisheries Management and Conservation Act established the fact that these funds would be used for programs to assist the fishing industries of the United States. It is sort of like the highway and aviation trust fund revenues being reserved for use on highways and airports respectively. Fishing interests that I have heard from (Gulf Coast Marine Fisheries Council) are somewhat concerned about transferring these funds away from fishery programs. In your discussions with OMB and other administration people, did you discuss the legislative history indicating that these funds were intended to be used for fishery programs? I understand that you told the House Appropriations Committee that while there is not specific authorization for the transfer, a legislative package would be sent to the Hill. What is the status of the necessary legislation needed to provide for this transfer?

ANSWER: The Department of Commerce administers the Fisheries Loan Fund and has drafted the legislation that would transfer half of the Fund balance to the Coast Guard. The Coast Guard is not aware of the extent to which discussions within Commerce and between Commerce

and OMB included the Fisheries Loan Fund legislative history, but any funds transferred to the Coast Guard as a result of this legislation would be used only to offset the cost of enforcement of the Magnuson Fishery Conservation Management Act of 1976. The legislation has not yet been introduced, but the Administration request from the Department of Commerce was transmitted to Congress on March 7, 1984.

MARINE SAFETY INFORMATION SYSTEM

SENATOR CHILES: Since 1976, the Coast Guard has been in the process of developing a Marine Safety Information System (MSIS). Vessel documentation was the first component of the system that was to go on-line in November 1983. This component was to be followed by the port safety component in December 1983, and vessel inspection component in May 1984. However, the vessel documentation and port safety components are currently not fully operational. The complete system is currently targeted for completion in the Spring of 1985. What is the current status of the Marine Safety Information System and when are the various system components expected to be operational?

ANSWER: In the fall of 1983, we decided it appropriate to move the Port Safety module to the head of the development queue. Delays in development of that module led to postponement of deployment of the Vessel Documentation and Vessel Inspection Modules. The Port Safety module will be deployed nationwide by 28 May, 1984. A phased deployment of this module is currently operating successfully in the Fifth District. Training for field personnel is now underway. We expect a successful national deployment. Concern about the adequacy of MSIS hardware and system capacity will lead to additional delay for the Vessel Documentation and Vessel Inspection modules, perhaps as late as calendar 1985. Other modules, such as Marine Casualties, will be re-examined after the three modules, now under development, are fully deployed and their system performance evaluated.

SAFETY OF FERRY VESSEL OPERATIONS

SENATOR CHILES: The National Transportation Safety Board has informed us of their concern with the operation of passenger ferries. Because safety regulations are applied to ships based on their size instead of function, some passenger ferries are permitted to meet lower safety standards even though they may carry almost the same number of passengers as a slightly larger ferry. This situation applies primarily to the Seattle area where a mix of ferries, both smaller and larger than 1,600 gross tons operate. The smaller ferries are required to meet much less restrictive safety standards. Is the Coast Guard taking any actions to insure that ferry passengers are afforded the higher safety standards regardless of which ferry they may happen to board on any particular day?

ANSWER: The Coast Guard imposes safety requirements on passenger ferries based upon a number of factors including the class of the vessel, its construction, and the nature of its operation. Since ferries, by definition, operate over short, direct routes the regulations are less restrictive, in some instances, than they would be for a vessel on unrestricted ocean service. However, for vessels of over 100 gross tons, there is no significant difference in the standards for vessel stability,

subdivision, and fire protection based on vessel size. In some instances, such as the Washington State ferries, certain navigation equipment requirements may have been waived on a case-by-case basis. These waivers have not been granted without a thorough review, taking into consideration the particular vessel and its route. These exemptions were reviewed as a result of the January 1981 collision of the M/V KLAHOWYA and the M/V SANKO GRAIN. The review affirmed that the exemptions were appropriate.

THE ACCURACY OF COAST GUARD BUDGET DATA

SENATOR CHILES: The program and financing schedules for Acquisition, Construction, and Improvements account show a number of changes between 1984 and 1985, for example, the Search and Rescue Program would decrease by 30%, and the Ice Operations Program would increase 102%. AC&I Object Classification schedule, however, shows flat rate of increase of 17% for all Object Classification Codes 22 through 32. Since the Object Classification is intended to provide a classification of various cost categories that are included in the program schedules, why are there significant fluctuations in program financial schedules between 1984 and 1985 which are not reflected in Object Classification schedule? Does Coast Guard truly do a "Zero Based" preparation of the Object Classification schedules?

ANSWER: For FY 1984 and FY 1985 the Object Classification schedules are approximations of how AC&I obligations will be costed. The schedule is not zero based, but data presented is estimated based upon past experience. The Program by Activity data in the Program and Financing Schedule are zero based obligations for AC&I projects scheduled for execution in the respective year. The FY 1983 data reflects actual experience in both schedules.

SENATOR CHILES: According to the U.S. Small Business Administration, in FY82 (the most current figures) small businesses received 55.31% of the Coast Guard's prime contract dollars for contracts over $10,000.

However, with regard to product category #58 (communication, detection and coherent radiation equipment), of which radio navigation equipment except airborne is a part, Federal prime contract actions over $10,000 to small businesses amounted to only 7.07% in FY82. In light of this extremely low figure, what does the Coast Guard intend to do to more fully utilize domestic small business concerns in its procurement of marine navigation equipment.

ANSWER: The Coast Guard actively supports the small and disadvantaged business program. Through full utilization of the resources available to the Contract Specialist, i.e., the Coast Guard's bidder's mailing list, advertisement in the Commerce Business Daily, review and recommendation for small business set-aside by the Coast Guard Minority Business Program Officer, we will continue to seek small business sources. In addition, the Coast Guard is participating in the Department of Transportation's PILOT program to set-aside high technology programs for small and disadvantaged businesses.

Questions Submitted by Senator Stevens

SENATOR STEVENS: The Coast Guard Station at Kodiak, Alaska, serves a vast area including the Gulf of Alaska and the Bering Sea. How much of this area is beyond the operational range of your Kodiak based search and rescue helicopters?

ANSWER: The maximum range (without refueling) of the HH-3F helicopters assigned to Air Station Kodiak is approximately 600 nautical miles, or a radius (leave and return to the same point without refueling) of 300 nautical miles. These figures are naturally much smaller with high headwinds or in adverse weather. The operational range of the HH-3F helicopter is virtually unlimited if refueling opportunities are present.

Helicopters from our bases at Kodiak and Sitka are able to service almost all points in the Gulf of Alaska without refueling. With refueling all but approximately 38,450 square miles of the Bering Sea on the U.S. side of the Convention Line is within range of our helicopters. Cutters performing fisheries patrol duties in the vicinity of the Convention Line often have a helicopter aboard and are able to provide search and rescue coverage in the remaining area.

SENATOR STEVENS: How many search and rescue cases per year occur in the area outside the operational range of your Kodiak based helicopters? How many fatalities?

ANSWER: Very few cases occur in the area of the Bering Sea that is inaccessible to our land-based helicopters. However, helicopter accessibility to a large portion of the Bering Sea requires refueling one or more times for helicopters from Kodiak. The table below shows our experience in this area over the last three years:

Air Station Kodiak Search and Rescue Cases
IN THE BERING SEA (WEST OF 162W, North of 50N, and East of 172E)

Year	Cases	Fatalities	Lives Saved
1983	25	22*	16
1982	61	10*	26
1981	56	23*	12

* Most of these fatalities could not have been prevented by rescue resources as death took place before the Coast Guard was notified. This normally occurs when the vessel is unable to broadcast a distress call and the search and rescue operation is not begun until it is reported overdue.

Only aviation cases are shown as many cases occuring in the area are adequately serviced by cutters, LORAN Station St. Paul, and through radio advisories.

SENATOR STEVENS: Dutch Harbor, in the western Aleutians, is the hub of the rapidly developing fisheries in the Gulf of Alaska and the Bering Sea. What is the average response time to a life threatening situation in the area around Dutch Harbor? What about 100 miles west of Dutch Harbor?

ANSWER: An HC-130H fixed wing aircraft can respond from Kodiak to a search and rescue case in the vicinity of Dutch Harbor in about an hour and fifty minutes. A HH-3F helicopter would take approximately five hours, which would include a half hour stop for

fuel. To respond to a case 100 miles west of Dutch Harbor would require two hours and 10 minutes for an HC-130H aircraft and five hours and fifty minutes for a HH-3F helicopter based in Kodiak.

SENATOR STEVENS: Would these response times improve considerably if a small helicopter detachment were located in the western Aleutians?

ANSWER: Yes. The average helicopter response time for cases in the western Aleutians would be improved if helicopters were assigned there.

SENATOR STEVENS: How much would a two helicopter search and rescue detachment in the western Aleutians cost, including both capital and operating expenses?

ANSWER: We are studying this issue. The first step is to decide upon a concept of operations and the number of personnel required. Until this decision is made it is not possible to accurately estimate the cost. We are developing three alternatives. The cost of each varies according to the type and amount of construction required, the mode of personnel assignment selected to meet the operating concept, and the availability of existing facilities. A very preliminary estimate is that the construction cost will be in the range of 60 to 100 million dollars. An estimate of operating costs must await a final decision on the concept of operations. There are significant flight safety problems to be overcome because of the terrain surrounding one of the suggested locations... and in general because of the weather conditions to be encountered. Having only two helicopters available will limit the time we can be sure of having one available to launch... and will exacerbate the flight safety problem.

SENATOR STEVENS: During your FY84 Appropriations hearing and at a recent hearing before the Merchant Marine Subcommittee, you were critical of the funding mechanism under which the Coast Guard Icebreaker fleet is maintained and operated. Please describe this system.

ANSWER: Primary user agencies (now Department of Defense, National Science Foundation, and the Coast Guard) share all direct operating costs based on agency icebreaker usage. The primary user agencies reimburse the Coast Guard for fixed costs (primarily pay and allowances; maintenance for electronics, vessels, and aircraft; and fuel for transits and operational support), and deployment operating costs (based on fuel consumed during agency missions). Memoranda of Agreement (MOAs) between the Coast Guard and each primary user agency govern reimbursements and establish the Polar Icebreaker Users Council, an informal group to resolve problems beyond the scope of the MOAs.

SENATOR STEVENS: What problems has this icebreaker funding system given the Coast Guard? Is there a better system?

ANSWER: It is the Coast Guard's responsibility to operate the nation's polar icebreaker fleet to satisfy national interests in the polar regions. Full reimbursement greatly complicates fleet management and has the potential to degrade the fleet's ability to meet unforeseen requirements which may be of national interest. Budget review is fragmented among several agencies, appropriations, and committees:

- Loss of funding or change in priorities by one agency, even on a short-term basis, has the potential to reduce the number of operational icebreakers in the fleet available for all users. The program lost Maritime Administration funding of $5.3 million in FY84 and beyond, requiring placement of a WIND Class icebreaker in caretaker status in FY85.
- Decisions are made on an individual user agency basis, omitting full consideration of overall national interests.

Fleet management is not a top-level priority of the other primary user agencies, nor should it be since the Coast Guard operates the fleet. It is more difficult for occasional users to compete for icebreaker time since they are not funded to pay fixed costs. The Coast Guard has found that an inordinate number of personnel hours and disproportionate managerial attention are required to administer the program.

The Coast Guard feels a better system would be to charge icebreaker users for deployment operating costs only, with all fixed costs in the Coast Guard budget. This "incremental" reimbursement was employed during FY77-82.

SENATOR STEVENS: The Senate Appropriations Committee report of last year suggested changes. Why has no action been taken?

ANSWER: As enacted, the final DOT FY84 Appropriations Act included no provisions or funding to implement changes suggested by the committee. Evaluation of the current reimbursement arrangement is part of a comprehensive interagency polar icebreaking requirements study (initiated last year) which is nearing completion.

SENATOR STEVENS: The proposed FY85 budget would decommission one of the WIND Class icebreakers. How much would have to be added to your budget to operate all five icebreakers instead of only four as proposed?

ANSWER: $7.3 million additional funding is required to operate five icebreakers instead of only four in FY85. Operation of five icebreakers in FY85 presumes that major casualty repair work on the WESTWIND is completed. The WESTWIND sustained major ice damage last year while on Antarctica operations.

Questions Submitted by Senator Inouye

CHILD ABUSE INITIATIVES

SENATOR INOUYE: For the past two years, the Committee has expressed its support for the Coast Guard's efforts to develop comprehensive programs which would be specifically targeted towards the unique psycho-social pressures experienced by Coast Guard families and, in particular, which would reduce the incidence of child abuse and family violence. At this time, the Committee would appreciate receiving a report on the Coast Guard's efforts to date, including an indication of the number of personnel who have been assigned this responsibility on either a full-time or part-time basis.

ANSWER: Presently, four military and ten civilian positions have been authorized. Three at Coast Guard Headquarters, three at District Offices, and eight at major field commands for administration of the Coast Guard's Family Advocacy Program. Additionally, fifty personnel have been designated at commands throughout the Coast Guard as collateral-duty Family Advocacy Representatives.

We have trained an additional 280 military members who will be involved with the program at the command level. In addition, 107 command-sponsored spouses have been trained to assist local commands in establishing local family programs.

SENATOR INOUYE: The Committee is aware that the General Accounting Office (GAO) has indicated that a major problem within the Department of Defense's program is that key personnel have been assigned a number of conflicting responsibilities -- how has the Coast Guard resolved this matter?

ANSWER: Family Advocacy Representatives can be expected to have competing responsibilities. The resolution of this situation lies in the high priority the Commandant has assigned this program. Further, the expertise available regionally through our full time program administrators adds a supporting resource to Family Advocacy Representatives for case handling questions and generation of preventative programs.

SENATOR INOUYE: The Committee is also interested in learning the extent to which the Coast Guard has developed cooperative relationships with either university programs which possess special child expertise, or with other appropriate elements of the federal government, such as the Office of Human Development Services.

ANSWER: We have been developing and seeking to improve cooperative and working relationships with Federal agencies, State and local agencies and programs, and public and private social services and care facilities. We have established close working relationships with the DOD Family Advocacy programs to coordinate our resources and participate in their training programs. To better support and evaluate our program development and training effort, we are utilizing the Military Family Resource Center, under the auspices of the Armed Services Department of the YMCA.

SENATOR INOUYE: Similarly, the Committee would like to know to what extent the Coast Guard has initiated "prevention" programs, and what has been the response, to date, of various service wives' organizations.

ANSWER: We are implementing family-support "prevention" programs at the field level that stress education and counselling for marital, medical, and financial programs. For example, we are funding to have 100 people trained under the Navy's Family Service Center program. These people will then be able to counsel those who have financial problems, and train others to counsel, as well. We intend additional emphasis on preventative initiatives for FY 1985.

The response of service wives' organizations has been very positive. They have been making significant contributions in implementing the program at Headquarters, and the local levels. They have sponsored Family Symposiums in Washington, D.C. and Seattle, and a Family Support Resources Fair in Kodiak, Alaska. The National Council of Coast Guard Wives' Clubs is spreading family support information through their Newsletter, mailed directly to spouses. A Coast Guard wife serves as President of the National Military Families Association.

Many clubs and individuals work hard in volunteer efforts such as manning a family crisis hotline in Yorktown, Virginia, and providing invaluable staff assistance in the Program Manager's office at Headquarters.

SENATOR INOUYE: Finally, the Committee would like to know what budgetary and personnel requirements are projected for next fiscal year for this program.

ANSWER: Our budgetary requirement for FY 1985 is $500,000 (not including personnel costs). This will support:

a. Continuing "basic" training for new Family Advocacy Representatives and specialized training for the program administrators and full-time counsellors,

b. Growing emphasis on "prevention" programs through implementation and improvements to local-level Family Advocacy programs, and

c. Cooperative efforts with other Federal agencies (DOD, HHS) family-oriented demonstration projects.

Questions Submitted by Senator Pell

SENATOR PELL: In the 1985 budget proposal, the Coast Guard recommends decommissioning five aging cutters, the USCGC BIBB, the USCGC DUANE, the USCGC INGHAM, the USCGC TANEY, and the USCGC UNIMAK. Three of these cutters serve the First District. In light of this recommendation, and the planned service life extension, or "FRAM," program involving the Boston-based USCGC CHASE and the USCGC HAMILTON, how many cutters will be available for service in the First District in 1985-86?

ANSWER: The Coast Guard plans to replace its older cutters with the new 270-foot Medium Endurance Cutters on a one-for-one basis as the latter become available. Each of the five older cutters in question will be retired only after a corresponding 270-foot cutter arrives and is ready for normal operations. Based on the current 270-foot cutter delivery schedule, we expect that the fifth older cutter of the group will not have to be decommissioned until early FY 1987. Although the Cutters CHASE and HAMILTON are currently based in the First District, the vast majority of their missions are performed elsewhere. Therefore, their absence during the FRAM project will have a negligible impact on First District operations. Excluding CHASE and HAMILTON, there will still be at least seven high or medium endurance cutters based in New England. In addition, cutters from the Third and Fifth Coast Guard Districts are available for work in First District waters.

SENATOR PELL: What is the Coast Guard's timetable for availability of the nine 270' medium endurance cutters under construction at the Derecktor shipyard?

ANSWER: The dates we expect these cutters to be ready for normal operations are shown below.

Cutter	Estimated Ready for Operations
SPENCER	JUL 86
SENECA	AUG 86
ESCANABA	NOV 86
TAHOMA	MAR 87
WMEC-909	AUG 87
WMEC-910	FEB 88
WMEC-911	MAY 88
WMEC-912	AUG 88
WMEC-913	NOV 88

SENATOR PELL: Where does the Coast Guard plan to permanently assign the cutters being built at the Derecktor shipyard?

ANSWER: The Coast Guard plans to permanently assign three of the new cutters in Boston, MA, two and four at yet to be decided location(s) on the East Coast and West Coast respectively.

SUBCOMMITTEE RECESS

Senator ANDREWS. This subcommittee is now recessed until Wednesday, May 2, at 10 a.m., when we will hear from outside witnesses.

[Whereupon, at 11:45 a.m., Tuesday, April 24, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, May 2.]

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